

Fiscal Risks Statement

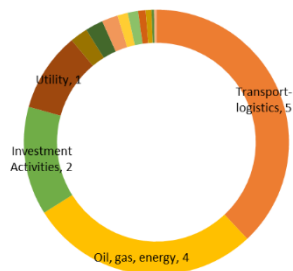


State Owned Enterprises, PPP Projects, Natural Disasters

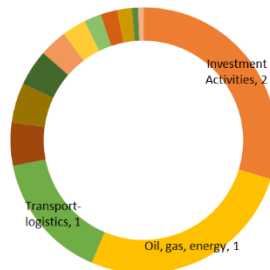
December, 2020, Georgia

General Overview of State Owned Enterprises

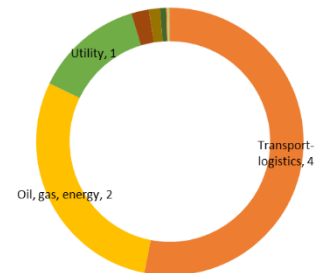
2019 Total Assets - 14 bn GEL



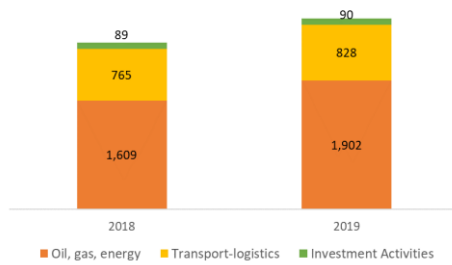
2019 Total Equity - 6 bn GEL



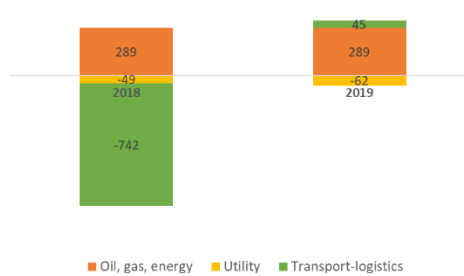
2019 Total Liabilities - 8 bn GEL



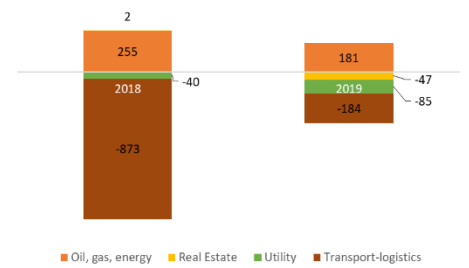
Operating Revenue
(Mn GEL)



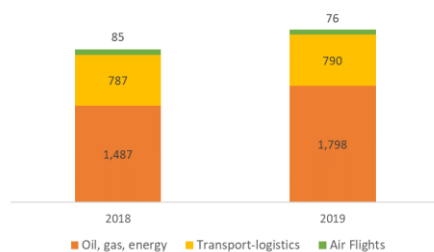
Results from operating activities
(Mn GEL)



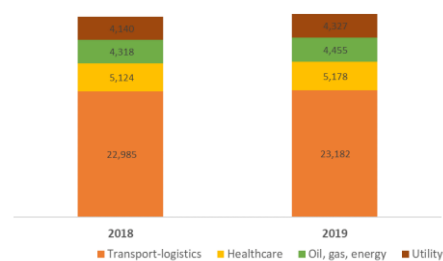
Net Profit
(Mn GEL)



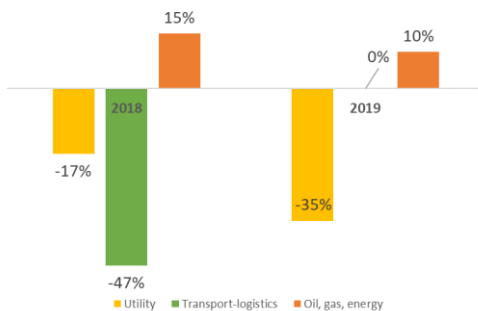
Turnover
(Mn GEL)



Number of Employees



ROE



Total Liabilities/Total Assets

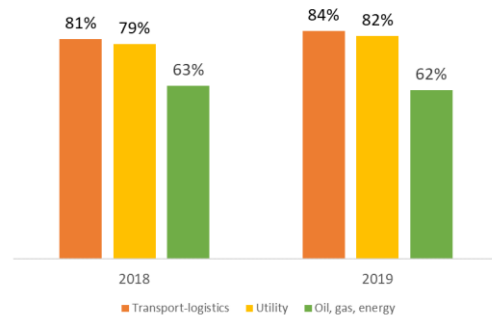


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Summary

In 2020, Georgia, as well as rest of the world, was severely affected by pandemic outbreak. That revealed again the need for timely identification of fiscal risks, the existence of mechanisms to minimize and / or mitigate the negative effects of risk realization.

Except macroeconomic risks, state-owned enterprises and public-private partnership projects continue to be one of the main sources of fiscal risks for the country.

In 2014-2018, equity injections amount of 1.3 billion GEL were made in state-owned enterprises, instead of a proportional increase in equity and assets, the equity of enterprises decreased by about GEL 0.7 billion, which was caused by large-scale losses of state-owned enterprises. In 2019, the loss of state-owned enterprises amounted 237 million GEL, while the same figure in 2018 was 816 million GEL.

Despite improvements in financial performance, that is not sufficient reason for optimism. In 2017-2018, the impairment of assets in several major SOEs resulted dramatic losses for the whole SOE portfolio, which was accordingly reflected in the aggregated financial statements.

As for 2019, we can say we got the real results SOEs are capable to reach (after the impairment). If we compare year 2019 aggregated results to the SOEs of other countries, we will see that Georgian SOE portfolio performance matches to the countries which have not yet implemented SOE reform.

It is expected, negative sentiments will be maintained in some sectors in post-pandemic period, which will hinder growth to get back to pre-pandemic levels in short period of time. That means, we should expect further impairment losses in SOE sector, but not as high as it was in 2018.

To ensure fast rehabilitation of the SOE sector, it is critically important to use crisis period for implementing reforms in corporate governance of SOEs. Some steps already have been taken to this direction. MOF has started working on development of SOE reform strategy.

As for PPP projects, GOG has refrained signing new PPAs. Instead, new mechanism has been offered to investors, which supports them with so called “Green Tariff” on each generated kwh. Despite this, fiscal exposure coming from PPAs stays challenging.

SOE NEWS

- Criteria were defined for the categorization of SOEs into Public Interest Entities (PIE) at the end of 2019 (Government Decree N584, issued on 29.11.2019). During the same year 47 enterprises were granted a status of PIE. It will set an additional standard of transparency for SOEs and will thereby increase a degree of their accountability;
- Process of SOE Sectorization ended in April 2020 – they got categorized into Public Corporations and General Government Sectors. Georgia is the first country in Central Asia and East Europe to carry out a comprehensive sectorisation. It transparently revealed all those enterprises that are non-commercial

and permanently depend on subsidies along with other types of injections. It also identified enterprises, which are fully commercial or have a potential of transitioning into commercial enterprises. In total 52 enterprises were classified as Public Corporations, while 183 – into the General Government Sector;

- SOE Reform was launched by the Ministry of Finance of Georgia from Q2 of 2020 and work is in progress. Reform predominantly envisages the introduction of OECD principles for the corporate governance of SOEs and other best practices. Ministry of Finance of Georgia is supported in this process by partnering with international organizations.
- Georgian Energy Exchange was established with 50/50 share participation of the Georgian State Electrosystem and Commercial Operator of the Georgian Electricity System in 2019. It is predominantly aimed to conclude bilateral agreements, formation of organized prior day and following day markets, along with a preparation, organization and coordination of essential measures for shaping into a market operator;
- Acquisition of financial and non-financial assets has been restricted for JSC Partnership Fund, except for the depositing of funds. It means that Partnership Fund will no longer carry out new projects and will not increase its debt liabilities. Referred restriction will last till the reform of the Partnership Fund itself.
- Investment was made in the construction of Gardabani 2 TPP with 100% share participation of the Georgian Oil and Gas Corporation. Construction was completed in December 2019. Gardabani 2 TPP was commissioned in March 2020. It stands out with high efficiency and environmental technologies, which was built with an investment of almost 180 million USD. This project has a tremendous strategic importance for the Georgian energy system and sustainability of the entire sector, along with its successful development.
- Georgia and European Bank for Reconstruction and Development (EBRD) concluded an Agreement on July 29, 2020, which envisages the allocation of 90 million Euros for strengthening and improving the power energy network of Georgia. Within the scope of the project, new transmission network of over 150 km will be built with a respective infrastructure. Project will be implemented by the Georgian State Electrosystem and it is scheduled to be completed in summer of 2026.

Overview of the SOE Sector (Registry)

Fiscal Risk Document covers 92% of SOEs (by their annual turnover).

Common Registry of SOEs includes information submitted by public institutions, National Office of Statistics of Georgia and other administrative sources on enterprises incorporated with share participation of the central and local authorities that are classified as significant for fiscal risk analysis. Such SOEs are considered to be the following:

A) Every SOE of the central government;

B) Municipal enterprises, with over 25% of state ownership and with an annual turnover exceeding 200K GEL or with annual payroll exceeding 15K GEL.

Financial data obtained from various administrative sources will be used for the assessment of SOEs against the referred indicators. Financial data warehouse was created for these SOEs in 2019 on the grounds of the referred data.

Considering the above referred criteria, 352 SOEs are presented for the fiscal risk analysis, out of which 179 are owned by the central government and 173 – by local authorities. Also, listed SOEs have in total 82 daughter enterprises.

Analysis performed as a result of a consolidated financial data is based on the data of 352 SOEs, while the data of 82 daughter companies are presented as an additional information.

Table 1

Total number of SOEs	352
from which:	
Local Government	173
Central Government	179
Ministry of Economy and Sustainable Development of Georgia	129
Partnership Fund	31
Ministry of Environmental Protection and Agriculture of Georgia	5
Legal entities	5
Ministry of Defence of Georgia	3
Ministry of Regional Development and Infrastructure	2
Ministry of Justice	1
Ministry of Education, Science, Culture and Sport	2
Investment Fund founded by the Government of Georgia	1

61 of the state-owned enterprises that are in the ownership of municipalities are owned by the municipalities of Tbilisi and Batumi, and their share is 94 percent of the total turnover of the enterprises owned by the municipalities.

Table 2 Data on state-owned municipal enterprises by municipalities

	Number of SOEs	Share in total number of SOEs	Share in total number of municipal government enterprises	2019 Total Income (thousand Gel)	Share of municipal government enterprises in SOEs total income	Share of municipal government enterprises in total municipal enterprises income
Total	352			3,176,499		

from:						
Municipalities	173	49%		323,459		10.2%
Tbilisi Municipality	26	7%	15%	259,622	8.2%	80.3%
Batumi Municipality	35	10%	20%	43,881	1.4%	13.6%
Kutaisi Municipality	11	3%	6%	1,528	0.0%	0.5%
Telavi Municipality	4	1%	2%	1,829	0.1%	0.6%
Gori Municipality	3	1%	2%	24	0.0%	0.0%
Poti Municipality	8	2%	5%	71	0.0%	0.0%
Rustavi Municipality	9	3%	5%	2,297	0.1%	0.7%
Sachkhere Municipality	6	2%	3%	6,010	0.2%	1.9%
Khobi Municipality	3	1%	2%	34	0.0%	0.0%
Akhalkalaqi Municipality	2	1%	1%	49	0.0%	0.0%
Akhaltzikhe Municipality	3	1%	2%	1,772	0.1%	0.5%
Akhmeta Municipality	2	1%	1%	186	0.0%	0.1%
Bolnisi Municipality	8	2%	5%	1,285	0.0%	0.4%
Mtskheta Municipality	7	2%	4%	2	0.0%	0.0%
Other Municipalities	46	13%	27%	4,823	0.2%	1.5%

Table 3. SOE analysis per sectors

Economic Activity	Total number of SOEs	from which:		Share in total number by economic activities		Total Income of SOEs in 2019 (thousand Gel)	from which:		Share in total income by economic activities	
		Central Government	Municipal Government	Central Government	Municipal Government		Central Government	Municipal Government	Central Government	Municipal Government
Agriculture, hunting and forestry	6	6	0	3%	0%	27,151	27,151	0	1%	0%
Mining	2	2	0	1%	0%	416	416	0	0%	0%
Manufacturing	29	18	11	10%	6%	148,283	129,917	18,355	5%	6%
Electricity, gas and water production and distribution	13	9	4	5%	2%	1,636,758	1,630,745	6,013	57%	2%
Construction	26	17	9	9%	5%	26,956	26,476	480	1%	0%
Trading	19	14	5	8%	3%	212,609	212,054	555	7%	0%
Hotels and restaurants	9	8	1	4%	1%	52,055	52,020	34	2%	0%
Transport and communication	23	8	15	4%	9%	876,258	698,116	178,142	24%	55%

Financial activities	11	11	0	6%	0%	389	389	0	0%	0%
Real Estate transactions, leasing and customer service	59	32	27	18%	16%	53,708	38,595	15,113	1%	5%
Human health and social work activities	85	43	42	24%	24%	32,462	27,305	5,156	1%	2%
Communal, social and personal services	70	11	59	6%	34%	109,454	9,854	99,601	0%	31%
Total	352	179	173			3,176,499	2,853,039	323,459		

Based on the data of the SOE register, the number of enterprises operating in the field of health care and social assistance is leading (85 enterprises out of 352 enterprises. (o.w. 42 of them are local)). Enterprises operating in the field of health and social assistance are leading in terms of quantity, although their share in total gross income of SOEs varies within 1-2%.

At the same time, according to Geostat, 54% of the entities registered in the healthcare sector in Georgia as of July 1, 2020 are inactive, which means that the company's activities have been suspended or there is no turnover.

Profiles of the Major Enterprises ¹:

JSC „Georgian Oil and Gas Corporation“



State share: 100% (fully owned by the JSC “partnership fund”, which is in full state ownership itself)

Type of economic activity: Wholesale trade with natural gas

Chairman of the supervisory board: [Vazha Khidasheli](#)

General director: [Giorgi Bakhtadze](#)

4 Daughter companies:

- LLC „Gardabani Thermal Station“;
- LLC „Gardabani Thermal Station 2“;
- LLC „Georgia Gas Storage Company“;
- GOGC Trading S.A.

Main Activity: Natural gas (import of natural gas and subsequent wholesale sale to electricity generation facilities and to population, as well as lease of pipelines transferred to LLC "Georgian Gas Transportation Company");

¹ As of Dec 31, 2019

Electricity generation (relatively new direction - electricity generation is carried out by the thermal power plant located in Gardabani. The generated electricity is continuously supplied to the distribution companies, which in turn supply the generated electricity to the retail customers); Oil (sale of state-owned share of oil extracted by the oil companies in Georgia, as well as managing the financial lease of the oil pipeline leased to BP).

JSC „Georgian Railway“



State share: 100% (100% is owned by JSC "Partnership Fund", which, in turn, is fully state-owned).

Type of economic activity: Rail freight transport

Chairman of the supervisory board: [Konstantine Guntsadze](#)

Director General: [David Peradze](#)

7 Daughter companies:

- LLC „GR property Management“;
- LLC „GR Logistics and Terminals“;
- JSC „Georgian Railways Construction“;
- LLC „Georgia Transit“;
- LLC „GRtransit line“;
- LLC „GR Trans Shipment“;
- LLC „GR Transit“.

Main Activity: Freight transportation (including rental of freight cars); Passenger transportation; Infrastructure (maintenance and management of rails, dams, railway alarms, power lines and other equipment, as well as construction of railway lines).

JSC „Georgian State Electrosystem“



State share: 100%

Type of economic activity: transmission of electro energy

Rehabilitation Manager/ chairman of the managing board: [Ucha Uchaneishvili](#)

3 Daughter companies:

- LLC „Energo Trans“²;

² JSC "Georgian State Electrosystem" and LLC "Energotrans" are being merged. Decree N805 of the Government of Georgia of May 13, 2020

- JSC „Karchal Energy“;
- JSC „Georgia’s Energy Exchange“.

Main Activity: Electricity transmission and dispatching (sole licensee). GSE provides technical management of the system to ensure a stable supply of electricity supply and consumption and without the right to buy or sell electricity, transfers electricity produced or imported in Georgia to distribution power companies, direct customers and/or power systems in neighboring countries. It also constructs international and domestic transmission lines and substations.

LLC „Energotrans“



State share:

100% (100% owned by JSC "Georgian State Electrosystem").

Type of economic activity: Transmission of electricity

Acting director: Jemal Akhalaia

Main Activity: Electricity transmission, including electricity export and transit. LLC "Energotrans" owns: 500 kw transmission lines "Vardzia-Zekari", 400 kw transmission line "Meskheti" and 500/400/220 kw substation Akhaltsikhe.

LLC Energotrans owns the transmission lines, with total length of about 290 km on the territory of Georgia, stretched on the territory of 10 municipalities of Georgia and connects Gardabani 500 and Didi Zestaponi substations to Akhaltsikhe 500/400/220 kV substation from the south (This sub-station is owned by LLC "Energotrans"). In addition to the above, the Akhaltsikhe substation is connected to the Turkish substation "Borchkha" through the 400 kw transmission line "Meskheti". The Akhaltsikhe 500/400/220 converter station is unique in its importance in the Caucasus region, as it was the first to install a DC (HVDC) switch.

JSC „United Energy System SakRusEnergo“



State share: 50% (the other 50% is owned by the Russian Federation , which is represented by JSC „ Federal Unified Energy System Network Company”).

Type of economic activity: Transmission of electricity

Director General: [Bachana Suladze](#)

Main Activity: Transmission of electricity using by the company's own high-voltage power lines located on the territory of Georgia and in the neighboring countries: Russia, Turkey, Azerbaijan, Armenia. Part of the company's power transmission lines are located on the territory of the Russian Federation. The company's power transmission lines are synchronized power supply networks between Georgia and the Russian Federation.

LLC "United Water Supply Company of Georgia"



State share: 100%

Type of economic activity: Water accumulation, procession and distribution

Director: [Grigol Mandaria](#)

Main Activity: Water extraction, procession and supply of drinking and technical water to customers in different cities and villages of Georgia; Design, construction, utilization and operation of water supply and sewerage systems.

The company provides water supply and sewerage network services throughout Georgia, for urban settlements, in Tbilisi, Mtskheta; except Rustavi, Gardabani Municipality and the Autonomous Republic of Adjara.

LLC „Enguri HPP“



State share: 100%

Type of economic activity: Electricity generation by hydropower plants

Chairman of the supervisory board: Koba Chumburidze

Chairman of the board of directors: Levan Mebonia

2 daughter companies:

- LLC "Vardnil HPP Cascade";
- LLC "Enguri Hydroelectric Power Plant".

Main Activity: Electricity generation and sale. Engurhesi generates 25% of the country's total electricity supply. The company is responsible for the operation of the Enguri hydropower plant, the Vardnil cascade and several small hydropower plants in the Kodori Gorge on the territory of the Autonomous Republic of Abkhazia.

JSC „Electro Energy System Commercial Operator“ (ESCO)



State share: 100%

Type of economic activity: Electricity distribution

Director General: Zaza Dvalishvili

Main Activity: Purchase and sale of balancing electricity and guaranteed capacity (purchases, sales and makes corresponding payments for the guaranteed capacity to the thermal power plants) and imports / exports electricity. The main activities are defined by the Law of Georgia on Electricity and Natural Gas and the "Electricity (Capacity) Market Rules" approved by the Minister of Energy of Georgia №77 of August 30, 2006.

The Company acts as a direct buyer (not as an agent) of balancing electricity and guaranteed capacity transactions. It is obligated to make payments in favor of the balancing power sellers and guaranteed power producer sources, regardless of whether it has received the payment from the buyers for the balancing electricity and guaranteed capacity.

LLC „Georgia Gas Transportation Company“



State share: 100%

Type of economic activity: Transport of gas via pipelines

Director General: [Mikheil Shalamberidze](#)

Main Activity: The only licensed company with a permanent license (the license was issued in 2009), which provides it the right to transport natural gas. The company operates the major gas pipeline system and related infrastructure on the territory of Georgia, which is owned by JSC Georgian Oil and Gas Corporation and leased to the company (with obligation to operate and maintain).

The main income of the company, which it receives from the use of the main gas pipeline system owned by JSC Georgian Oil and Gas Corporation, consists of the following activities: natural gas transit (from the Russian Federation to the Republic of Armenia); Transportation of natural gas (throughout Georgia, mainly for distribution companies, industrial enterprises and thermal power plants); Gas sales (to other customers in Georgia; based on individual negotiations between the parties).

LLC Marabda-Kartsakhi Railway



State share: 100%

Type of economic activity Construction of overground and underground railways

Director: Levan Kenkava

Main Activity: Marabda-Kartsakhi, a new railway line connecting Baku-Tbilisi-Kars to the border of the Republic of Turkey (Kartsakhi) by passing through the territory of Georgia, is a project that will connect the railway networks of the Republic of Azerbaijan and the Republic of Turkey.

The project is implemented on the basis of an agreement between the Governments of the Republic of Azerbaijan and Georgia. Under the loan agreement, Marabda-Kartsakhi Railway LLC has allocated a credit line of USD 775 million from the Ministry of Transport, Communications and High Technologies of the Republic of Azerbaijan to finance the capital and administrative costs of the project.

According to the loan agreement, before the completion of the construction of the Marabda-Kartsakhi railway section, the Georgian and Azerbaijani Railways will establish a "joint venture", which will be transferred to the management of the railway infrastructure (LLC "Marabda-Kartsakhi" The obligation to repay the loan will be transferred to the "joint venture".)

LLC State Construction Company



State Share: 100%

Type of economic activity: Construction of roads and highways

Director: [Shalva Shavishvili](#)

Main Activity: Implementation of various types of construction projects, including rehabilitation, modernization, reconstruction and other road construction works of public roads, bridges, tunnels; Production of construction and repair materials, their import-export and sale; Use of special equipment on the balance sheet of the company and transfer it for temporary use.

Agricultural Logistics and Services Company LLC



State Share: 100% (100% shareholder) A (A) IP "Agricultural Project Management Agency"

Type of economic activity: Repair of agricultural tractors, types of ancillary activities in the field of agricultural cultivation

Director General: Shota Joglidze

1 Subsidiary: Grain Logistics Company LLC

Main Activity: Servicing agricultural machinery; Providing information/ consultation to agricultural producers and farmers; Introduction of modern technologies in agricultural production; Soil pre-sowing and further works.

LLC. "Agricultural Logistics and Services Company" offers services to landowners living in the regions of Georgia in the field of maintenance and cultivation of agricultural crops: pesticides, variety and high quality seeds, new technologies and new crops. The company is capable to serve land users in agro-terms, in different regions of Georgia, to carry out spring, autumn and winter plowing works in a timely and high-quality manner, as well as sowing, herbicide provision, cultivation, pruning, and timely application of mineral fertilizers.

JSC „Partnership Fund“



State Share: 100%

Type of economic activity: Other financial services activities, excluding insurance and pension funds, not included in other groups

Chairman of the Supervisory Board: Prime Minister of Georgia

Executive Director: [David Saganelidze](#)

32 Daughter Companies: ³

- JSC Georgian Oil and Gas Corporation and its subsidiaries;
- JSC Georgian Railway and its subsidiaries;
- JSC Georgian State Electrosystem and its subsidiaries;
- JSC "Commercial Electricity System Operator";
- JSC "Nenskra";
- Project LLC;
- Tbilisi Logistics Center LLC and its subsidiaries;
- Black Sea Port LLC;
- Lagodekhi Trade Company LLC;
- JSC "Panex";
- JSC "Telasi";
- Clinics Development Company LLC and its subsidiaries;
- JSC "Aerostructure Technologies Cyclone";
- JSC "Vanric Agro";
- Gray Shopping Center LLC;
- Startup Georgia LLC;
- Imereti Greener LLC;
- Caucasus Clean Energy I Limited Liability Partnership;
- Georgian Industrial and Regional Development Company LLC;
- Likani Residence LLC;
- LLC „Global Brand“;
- Infrastructure Development Partnership Company LLC;

³ The list of affiliates of the Partnership Fund has been prepared as of December 31, 2019. As of September 2020, the share of the Partnership Fund in Telasi has been privatized.

- Tsinandali Estates LLC;
- Gazelle Fund LP;
- Itong Caucasus LLC;
- Partnership Fund - Green Development LLC and its subsidiaries;
- East West Bridge LLC;
- JSC "Nenskra Hydro";
- Caucasian SUS Heritage LLC;
- KMG Service Georgia LLC and its subsidiary;
- Georgian Natural Products LLC;
- Peace Fund for Better Future NCLE.

Main Activity: State Investment Fund, established on the basis of consolidation of large state-owned enterprises in the field of transport, energy and infrastructure. The main purpose of the fund is to encourage investments in Georgia through co-participation in the initial stage of investment project development (co-investment in capital, subordinated loans, etc.).

The activities are carried out in two directions: asset management (asset portfolio consists of companies of strategic importance: JSC Georgian Railway; JSC Georgian Oil and Gas Corporation) and investment activities (the fund is authorized to invest only in Georgia, its strategy is to attract private investors for commercially profitable projects to support the priority sectors of the Georgian economy, which have significant potential for development (eg, energy, agriculture, manufacturing, real estate and tourism, infrastructure and logistics).

LLC „Georgia Post“



State Share: 100%

Type of economic activity: Postal activities with a commitment to universal service

Director general: Levan Chikvaidze

2 daughter companies:

- Georgian post (Greece) I.K.E.;
- Georgian post (Czechia).

Main Activity: Georgian Post LLC successfully cooperates with more than 190 countries around the world and operates more than 80 service centers throughout the country.

Georgian Post LLC provides customers with services included in the field of universal postal and shipping services, In particular, it receives, processes, sends, transports and delivers postal items (written correspondence, parcels, EMS messages, air mail), both inside and outside the country; receives utility bills; provides money transfer services.

LLC „Tbilisi Transport Company“



State Share: 100% (Tbilisi City Hall owns 100% of the shares)

Type of economic activity: Urban and suburban passenger land transport

General Director: Giorgi Sharkov

2 daughter companies:

JSC "Tbilisi Branch of Electrical Engine Repair Factory";
JSC "Repair Service"

Main Activity: Bus, metro and cable car services in Tbilisi, arrangement of parking spaces within the administrative boundaries of Tbilisi Municipality.

The prices of services within the framework of regulated economic activity are set by the decision of Tbilisi Sakrebulo. A certain group of citizens is provided with free travel on regular subway and bus travel within the administrative boundaries of Tbilisi, or a discounted fee with a single payment by plastic card.

The company revenue is mainly generated from the fare paid by the passengers.

The company manages, organizes and supervises arrangement of parking spaces of the municipality, places/draws the road signs, marks parking places at the areas indicated by Tbilisi city; detects violations of parking rules, writes out notices on administrative offenses/ parking penalties; in certain cases, transports the offender vehicle to the secure parking territories.

JSC "Georgian Energy Development Fund"



State Share: 100%

Type of economic activity: Consulting in business and other management matters

Director: [Giorgi Chikovani](#)

14 subsidiaries:

- JSC Namakhvani;
- JSC "Geohydro";
- Artana Lopota LLC;
- Kvirila HPP LLC;
- Kartli Wind Power Plant LLC;
- Akhalsopeli HPP LLC;
- JSC "Chalik Georgia Wind";

- Enguri Tourist Center LLC;
- Enguri Hydro-Accumulating Power Plant LLC;
- Georgian Solar Company LLC;
- Borjomi HPP LLC;
- Zestaponi Wind Power Plant LLC;
- Chordula HPP LLC;
- Ruisi Wind Power Plant LLC

Main Activity: Conducting preliminary research work in the field of energy, feasibility study of energy projects and preparation of a report, environmental impact assessment of the project. As a result of the conducted research, a power plant construction project is being written, which is being implemented by the Foundation as follows: Will attract an investor with whom he will establish an enterprise (or will establish himself with a 100% shareholding) and the enterprise implements a power plant project, for example, a wind power plant in Gori, where the fund owns 50.1%, the remaining 49.9% is owned by JSC The share of JSC "Georgian Energy Development Fund" in the enterprise is determined by the cost of the project and also in proportion to the cash contributions.

Financing Received by the SOEs

Table 4 Funds allocated to state-owned enterprises from the state budget and dividends received

Kind of Support	2018	2019	2020
Capital Injection	143		
Loan			
Subsidy	25.0	82.9	67.2
Dividend	-0.4		-0.3
Net Cash Flow	167.6	82.9	66.9

Table 5 Subsidy from the state budget 2019-2020 (thousand GEL)

Name of the SOE	Subsidies	
	2019	2020
LTD United Water Supply Company of Georgia	27,550	30,000
LTD Adam Beridze's Soil and Food Diagnostic Center Anaseuli		12
LTD Black Sea Arena	9,500	3,518
LTD Georgian Amelioration	17,659	18,500
LTD Solid Waste Management Company of Georgia	12,000	13,800
LTD United Airports of Georgia	5,864	1,350
JSC Georgian Agriculture Corporation	6	
LTD Mountain Resorts Development Company	300	
LTD V. Sanikidze War Veterans Clinical Hospital	558	

LTD State Construction Company	9,200	
LTD Regional Health Center	230	
Total	82,868	67,180

Table 6 On-lendings for SOEs from External Financial Resources (mln, December 31, 2019)

Company/SOE name	Currency	Commitment Amount	Disbursed Amount	Restructuring Loan	Repaid Principal	Repaid Interest	Outstanding	Outstanding in GEL
JSC Georgian State Electrosystem	EUR	287.5	96.8	0.8	38.4	12.6	57.7	185.1
	SDR	31.0	31.0	0.0	0.0	1.2	31.0	122.9
	USD	95.9	85.4	0.0	30.7	23.7	54.7	156.8
LTD Enguhesi	EUR	69.0	47.2	0.0	1.3	1.4	46.0	147.5
	GEL	37.0	37.0	0.0	0.0	3.1	37.0	37.0
LLC Energotrans	EUR	218.5	218.5	0.0	44.9	22.3	173.6	557.2
United Water Supply Company of Georgia	EUR	186.6	78.2	0.0	10.7	4.2	67.5	216.7
	SDR	161.8	128.7	0.0	8.5	0.0	120.3	476.9
	USD	250.0	100.1	0.0	0.0	0.0	100.1	287.2
LTD Solid Waste Management Company of Georgia	EUR	55.4	4.1	0.0	2.5	1.1	1.5	4.9
LTD Saqaeronavigatsia	EUR	4.7	4.7	0.0	1.7	0.5	3.0	9.5

Dividends Paid by SOEs

In line with Government Decree N174 on the Definition of Rules for the Composition and Operation of a Commission Mandated to Consider and Decide on the Proposals of SOE Net Profit Distribution and Use, such commission established at the Ministry of Finance of Georgia on the Consideration and Decision-Making on the Proposals of SOE Net Profit Distribution and Use considers the issue of net profit distribution at SOEs. Respective institution sends proposals in advance to the Ministry of Finance of Georgia on the matter relating to the SOEs falling within their management and submitted proposals are thus considered at the referred Commission Meetings. Commission takes decisions on the submitted, justified proposals whether the dividends need to be entirely/partially channeled to the State Budget or retained by the company for its development.

At the same time, some SOEs are managed by the Partnership Fund and independently uses dividends received from them for investments and for servicing loans.

In 2020, Commission Meeting for the consideration and decision-making of proposals on the distribution and use of net profits earned by SOEs was held twice:

- The Commission Meeting held on August 21, 2020 - discussed the issues raised by the National Agency of Public Property on the retention of profits earned by JSC Scientific-Research Centre of Infectious Pathologies, AIDS and Clinical Immunology in 2017-2018 (1 307 8K GEL) for the re-investment. Commission took into consideration the Government Decree N1341 issued on July 23, 2020 on the allocation of financial resources as a capital transfer for the acquisition or construction of a profiled real estate for an unlimited and safe execution of medical operation by JSC Scientific-Research Centre of Infectious Pathologies, AIDS and Clinical Immunology. It was deemed justified by the Commission to let the enterprise retain 300K GEL from the net profits earned in 2017-2018 for future reinvestments into the essential development of medical and technical capacity. Remaining portion of the net profits earned in 2017-2018 will be discussed further by the Commission.
- The Commission Meeting held on October 29, 2020 – reviewed proposal of MOESD on the distribution of dividends of JSC GSE for the reporting period 2018-2019 (the company's profit in 2018-2019 amounted to 77 175 thousand GEL, of which net profit in 2018 amounted to 30 432 thousand GEL, in 2019 - 46 743 thousand GEL). Commission decided to distribute 69 mln GEL to state budget. Company is required to pay dividend till the end of 2020.

Lending Between SOEs

Lending between SOEs and joint borrowings by them within various project financing creates a threat of transferring a risk to the government. Such lending practice in Georgia is not widespread and such type of lending between SOEs did not happen in 2019.

Non-Financial Transfers

Apart from financial transfers, assets also get transferred between the Government of Georgia and SOEs, including the gas, land, machinery, inventory and other fixed assets. Such transfers are predominantly aimed at making SOEs the asset owners and making their duties and projects fully and better functioning. This does not give rise to fiscal risks.

In 2019 no essential non-financial transfers were witnessed on the grounds of information collected from SOEs.

Debt Management Policy of State-Owned Enterprises

Debt management policy is one of the challenging aspect for the financial management of state-owned enterprises. Significant portion of SOE liabilities is denominated in foreign currency (mostly in Euro and USD), which makes them vulnerable to FX fluctuations, which negatively affects the level of profitability of enterprises, reduces their net worth and increases the degree of

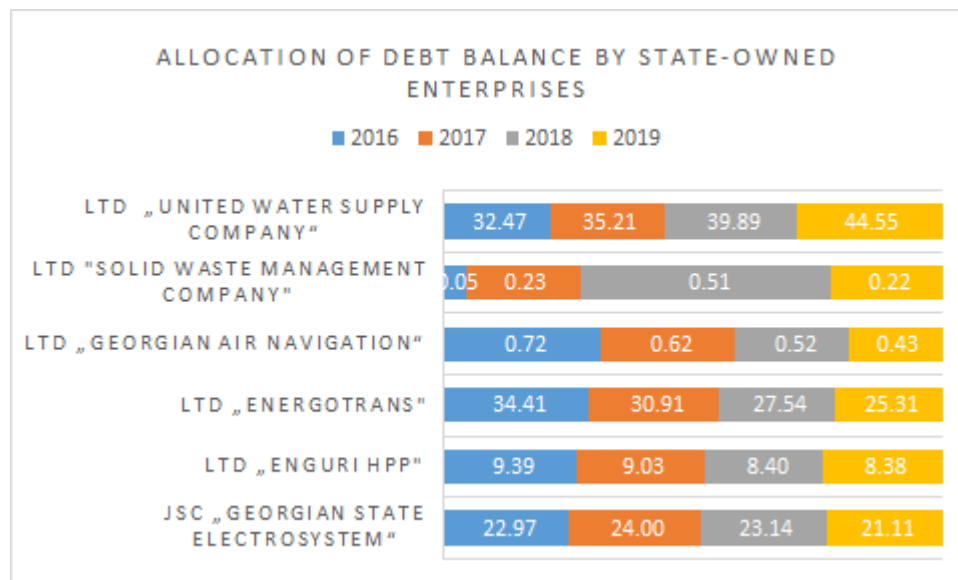
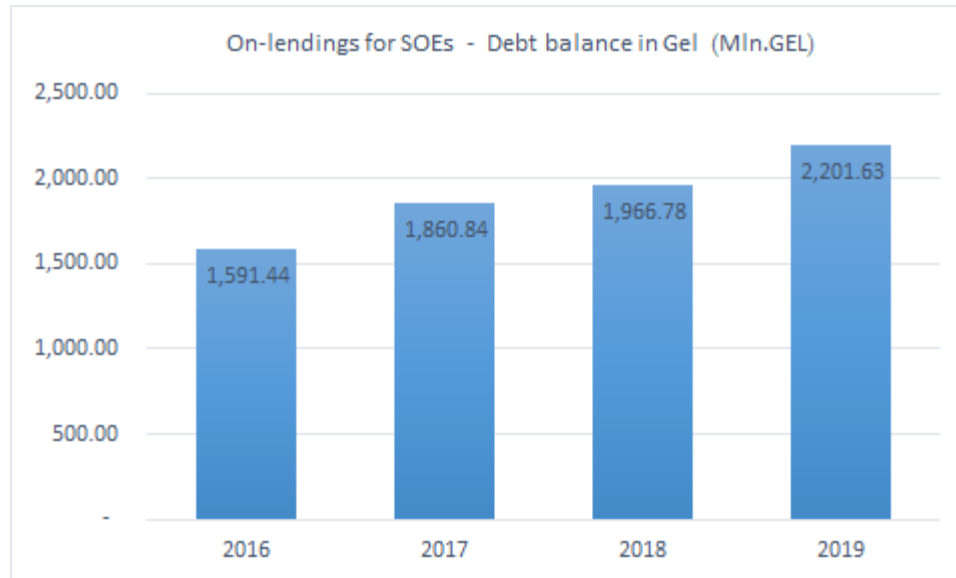
unpredictability. Therefore, in order to ensure financial sustainability, it is important for state-owned enterprises to review their debt management policy and give preference to loans in national currency, especially when none of their sources of income is in foreign currency.

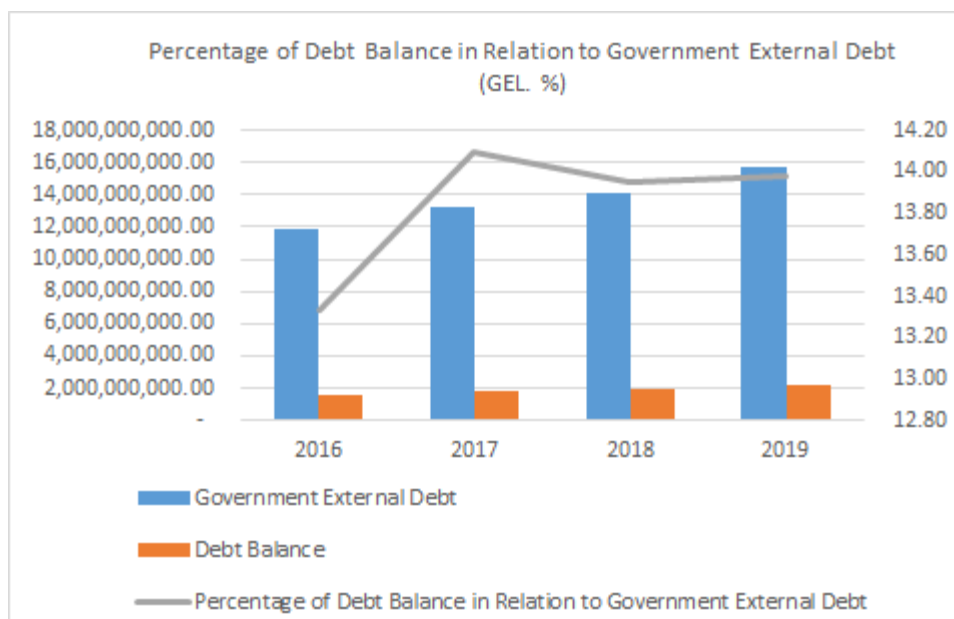
It should be noted that in order to reduce the foreign exchange risk related to loan liabilities, the Ministry of Finance has developed a "Foreign Exchange Risk Mitigation Strategy" for JSC "Georgian State Electrosystem", which was approved by the decree of the Government of Georgia N922 of June 4, 2020. Foreign exchange risk mitigation plan of GSE is fully in line with the objectives set out in Public Debt Management Strategy of the Ministry of Finance regarding external debt and related foreign exchange risk mitigation (Gradually increase of domestic government debt share in total debt) and while raising new loans for GSE, priority will be given to the national currency to reduce foreign exchange risk. The debt capital can be raised by the issuance of GEL-denominated government bonds and on-lending of the raised funds to the GSE.

JSC Georgian State Electrosystem has already planned to become a participant of the capital market and is preparing to issue GEL-denominated bonds. GSE has announced an expression of interest in order to obtain appropriate consulting services for access to the capital market. GSE plans to refinance long-term loans received from the Ministry of Finance with the funds raised as a result of the placement of bonds. It should be noted that GSE is a pilot enterprise for state-owned enterprises reform. Its successful corporatization - refinement of the management model in accordance with the best international standards is a necessary basis and prerequisite for the engagement and active participation of the enterprise in the capital market.

The goal of the reform of state-owned enterprises is to integrate them into the capital market in the future, along with increasing their transparency, efficiency and financial sustainability. Successful implementation of state-owned enterprise reform is crucial for state-owned enterprises to be able to finance future investment activities independently with financial resources raised in the capital market and to stop on-lending practice from external financial resources.

The amount of on-lendings for state-owned enterprises - debt balance in GEL is characterized by a tendency to increase mainly due to the depreciation of the national currency.





A review of debt management policy will make a significant contribution to reducing the financial risks of state-owned enterprises and termination of on-lending practice will eliminate the fiscal risks associated with this practice.

Methodology on the Introduction of Best Practices for the Identification, Analysis and Financing Mechanisms of Quasi-Fiscal Activities

What is a quasi-fiscal activity?

Quasi-fiscal activity, which is performed by an SOE vividly, under the instructions of the government or discreetly is when a payment made for the supply of such goods/services is less than a market price or existing practice. To generalize it further, any activity that a profit-making/commercial enterprise would not perform is quasi-fiscal. Such activities are mainly aimed at the social and political aims and goals.

Examples of quasi-fiscal activities are the supply of water to the population for lower than a market price or par value, as well as an irrelevantly high number of employees and/or irrelevant payroll at an SOE.

If and when the State does not compensate such types of enterprises from the State Budget, SOEs assume the burden related to quasi-fiscal activities, which worsens their financial results.

It is essential for the government to design a policy for the effective management of risks stemming from quasi-fiscal assets, which will ease the burden related to quasi-fiscal assets not compensated to SOEs or minimize them to nil. Also, future rise of such burdens should be avoided by SOEs. At the same time, it is essential to be done only in cases if any other kind of inefficiency is abolished at the level of an SOE and

funds practically allocated for the funding of quasi-fiscal assets is returned to the State Budget in the following reporting year in the form of a dividend paid by the SOE.

Forms of Quasi-Fiscal Activities:

Non-Commercial Services (NCSO): setting a less-than-commercial tariff. For instance, artificially low tariff-setting for utility services, such as power energy, water supply;

Non-Core Functions: obligations assigned by the government, e.g. obligation to incur capital expenditures, which are not related to the core business of the company;

Subsidized Procurement: payment of higher-than-market price, e.g. procurement of agriculture produce at higher-than-market prices from local farmers to incentivize such farmers;

Abuse of Monopoly Position: accepting the commercially unfair price from consumers (more than justified in commercial terms), use of additional income for cross-subsidising the other activities of the enterprise (practice of funding one activity from profits earned in other activities);

Super-Dividends: payment of more dividends by an enterprise than possible with profits earned in a reporting period. Such payments are made mainly through the sale of enterprise assets (one-off transactions) or from other accumulated reserves.

Price Adjustment for Short-Term Higher Income Generation Purposes: setting higher prices for goods and services to make sure that SOE profits and dividends increase in a short-run, even when it will reduce the share of an enterprise at the market and its profits in a medium term.

Quasi-fiscal activity may be **vivid** (defined in a company statutes, regulations issued by the government/ministry/public institution) and **discreet** (company carries out a quasi-fiscal activity without assigning this function under a regulation). Example of a discreet quasi-fiscal activity is a more-than-required number of employees at an SOE for social and/or political purposes).

Discreet quasi-fiscal activity should be prohibited. It is impermissible to carry out non-commercial services by an SOE, except those cases, when they are vivid and their value is fully compensated from the State Budget.

Commercial Service Obligations (CSO) of SOEs are such services that are fully compensated by consumers of such SOEs,

Each commercial function of the SOEs should be reflected in the Corporate Governance Statement of the company or other similar documents, which represent the strategic goals, targeted financial and non-financial ratios and other KPIs, risk limits, etc. defined by shareholders to the Supervisory Council.

Commercial functions of a corporation should be published in an Annual Report of an SOE. Published information should include the following: (1) description of each commercial function, (2) revenues/profit earned from each of them; and (3) description and report on how its cost will be compensated by consumers.

Resumes of commercial functions should also be published in an Analysis of Fiscal Analysis Risks, which will assess the risks of transforming these functions into quasi-fiscal activities.

Non-Commercial Service Obligations (NCSOs)

SOE should reflect all the non-commercial services as a transfer from a respective budget in its full amount, including the relevant rate of return. The amount should be incorporated in the expenditures of the State Budget, in line with the legislation of Georgia.

All non-commercial services should be reflected in the Statements of Corporate Governance Statements (SCI) of companies with respective measurements.

Compliance of non-commercial activities with the SCI should be published in the Overall SOE Report on an annual basis. Report should at least include the following:

- Description of each non-commercial service;
- Actual cost incurred on it against the budgeted cost;
- Comparison of non-financial results with planned results.

Information on non-commercial services should also be published in a Document of Fiscal Risks.

As a related information, let us note that in line with Articles 203=206 of the Association Agreement concluded by Georgia on the one hand with EU and European Atomic Energy Association and their member states on the other hand, parties understand the importance of free and unrestricted competition for their trade relations and acknowledge that state actions that damage competitive neutrality (e.g. subsidies) harm the entire market, thus reducing the benefits of trade liberalisation.

Current Practices

The Ministry of Finance of Georgia started to identify, analyse and publish the quasi-fiscal activities from 2017. Vivid quasi-fiscal activities have been identified in 6 enterprises according to the recent experience. Nevertheless, discreet quasi-fiscal activities could be found in greater volumes.

Example of this may be any enterprise, which maintains the unjustified number of employees for non-commercial needs.

Impact of Quasi-Fiscal Activities on Financial Results of SOEs

LTD Enrguhesi	2018		2019	
	Without QFA	QFA	Without QFA	QFA
Total Revenue	77,8		61,5	
Operating Revenue	75,2		60,1	

Non-Operating Revenue	2,6		1,3	
Total Expenses	37,1	29	43,2	31,6
Operating Expenses	33,7	25,1	35	26,1
Non-Operating Expenses	3,3		8,1	
Unearned Gross Profit		3,9		5,4
Net Profit/Loss Before Taxes	40,7	(29)	18,2	(31,6)
Profit Tax	0	0	0	0
Net Profit	40,7	(29)	18,2	(31,6)

- LLC Enguri HPP supplies power energy to occupied Abkhazia free of charge. Table presents financial data of LLC Enguri HPP without quasi-fiscal activities and separately the impact of only quasi-fiscal activities on major indicators of the Profit and Loss Statement of the enterprise.
- Table indicates that Enguri HPP has lost about 31.6 million GEL in revenues for the free of charge supply of power energy to the population of the occupied Abkhazia. Had it received this amount, the reporting year would have ended with a profit of over 15 million GEL instead of an actual loss in the volume of 8 million GEL.

JSC Georgian Railway	2018		2019	
	Without QFA	QFA	Without QFA	QFA
Total Revenue	469	30	524	35
Operating Revenue	449.9	27.3	511.6	31
Non-Operating Revenue	19.5	2.8	12.7	4.3
Total Expenses	(1,1)	(56)	(509)	(56)
Operating Expenses	(385.6)	(41.9)	(361.8)	(39.9)
Non-Operating Expenses	(773.9)	(13.5)	(147)	(15,9)
Unearned Gross Profit				
Net Profit/Loss Before Taxes	(690)	(25)	15	(21)
Profit Tax	(1)		(1)	
Net Profit	(691)	(25)	15	(21)

- JSC Georgian Railway subsidises the passenger transportation from the revenues generated from annual transportation of cargo and its cost is almost 30 million GEL on an annual basis. Table presents the financial indicators of the company with and without quasi-fiscal activities. Similar to the Enguri HPP, Georgian Railway would have ended 2019 with a profit, had it not carried out quasi-fiscal activities that year.

JSC Georgian Oil and Gas Corporation	2018	2019
--------------------------------------	------	------

	Without QFA	QFA	Without QFA	QFA
Total Revenue	646		892.4	91.9
Operating Revenue	642.6		880.5	91.9
Non-Operating Revenue	3.38		11.8	
Total Expenses	488.7		771	
Operating Expenses	466.6		727.5	
Non-Operating Expenses	22.1		43.4	
Unearned Gross Profit		60.4		91.9
Net Profit/Loss Before Taxes	157.2	60.4	121	91.9
Profit Tax				
Net Profit	157.2	60.4	121.4	91.9

- JSC Georgian Oil and Gas Corporation has been subsidising the tariff for household subscribers of the gas supply system since 2013, thus reducing the potential profits of the company. Profits are a difference between the commercial tariff on sales opportunities and actually generated revenues.
- Table presents the financial indicators of JSC Georgian Oil and Gas Corporation in the case of sales with a commercial tariff and separately – failed revenues that could have been generated without quasi-fiscal activities, which exceed 90 million GEL in 2019.

Overview of Financial Results of SOEs

Financial Reports were submitted by 130 enterprises in 2019. In contrast with the previous year, (financial indicators of 68 enterprises were covered in the analysis of 2018) coverage of SOEs in the document increased by 91%, mainly at the expense of an increased coverage of SOEs managed by local authorities of the country.

By their turnover, if the coverage of SOEs was upto 80% of the total in 2018, it increased to 92% in 2019. This indicator will further increase by the second and third submission of the budget.

Below please find the overall financial results of SOEs including and excluding the Marabda-Kartsakhi Railway⁴.

Balance Sheet

⁴ Operation of Marabda-Kartsakhi Railway does not include the profit generation. The referred company neither is included in the Public Corporations or Government Sector. Hence, we believe it justified to consider the overall financial results of SOEs without Marabda-Kartsakhi Railway. At the same time, we present both versions for transparency purposes.

GEL Millions

Aggregated (Including Marabda-Kartsakhi Railway)	2013	2014	2015	2016	2017	2018	2019
Total assets	9,155	10,292	11,890	12,045	12,031	11,951	12,575
Current Assets	1,956	1,945	2,499	2,670	2,903	2,623	2,464
Non-current assets	7,199	8,346	9,391	9,374	9,128	9,328	10,112
Total equity	5,002	5,686	5,589	4,972	4,826	4,302	4,322
Owner's Equity	2,491	3,190	3,707	4,103	5,045	5,418	5,216
Capital Injections	0	0	2,376	2,647	2,700	2,772	2,765
Retained Earnings	0	0	34	91	52	70	45
Accumulated deficit	0	0	0	-1,464	-2,988	-3,828	-4,174
Other Equity	2,511	2,496	-528	-406	16	-130	471
Liabilities	4,153	4,605	6,301	7,073	7,206	7,650	8,253
Current liabilities	533	648	808	1,066	1,271	1,691	1,047
Non-current liabilities	3,620	3,958	5,493	6,007	5,935	5,958	7,207
Total equity and liabilities	9,155	10,292	11,890	12,045	12,031	11,951	12,575

Income Statement

GEL Millions

Aggregated (Including Marabda-Kartsakhi Railway)	2013	2014	2015	2016	2017	2018	2019
Total Revenue	1,745	1,900	2,316	2,555	2,954	2,958	3,242
Operating Revenue	1,639	1,802	2,196	2,339	2,605	2,636	2,943
Non-Operating Revenue	106	97	120	216	349	322	299
Operating Expenses	1,726	1,983	3,104	3,089	3,683	3,771	3,477
Operating Expenses	1,482	1,739	2,085	2,358	3,154	3,264	2,828
Depreciation and amortization	154	177	182	291	314	317	278
Non-Operating Expenses	243	244	1,019	731	529	507	650
Interest Cost	68	82	138	221	208	171	171
foreign exchange loss	0	0	423	465	227	272	436
Other Non-Operating Expenses	176	162	459	45	95	64	43
Profit before income tax	19	-83	-788	-533	-729	-813	-235
Income Tax	63	17	-1	1	3	3	2
Net Profit	-44	-100	-786	-535	-732	-816	-237

Financial Ratios

Aggregated (Including Marabda-Kartsakhi Railway)	2013	2014	2015	2016	2017	2018	2019
Profitability							
Revenue % Change YoY	-	9%	22%	10%	16%	0%	10%

Expenses % Change YoY	-	15%	57%	0%	19%	2%	-8%
Operating Margin	10%	4%	5%	-1%	-21%	-24%	4%
Efficiency Ratio	99%	104%	134%	121%	125%	127%	107%
ROA	0%	-1%	-7%	-4%	-6%	-7%	-2%
ROE	-1%	-2%	-14%	-11%	-15%	-19%	-5%
Liquidity							
Current Ratio	367%	300%	309%	250%	229%	155%	235%
Solvency							
Debt to Equity	83%	81%	113%	142%	149%	178%	191%
Interest Coverage	-64%	-123%	-571%	-242%	-353%	-478%	-139%

Balance Sheet

GEL Millions

Aggregated (Excluding Marabda-Kartsakhi Railway)	2013	2014	2015	2016	2017	2018	2019
Total assets	8,285	9,282	10,721	10,759	10,638	10,490	11,040
Current Assets	1,581	1,601	2,190	2,410	2,622	2,365	2,216
Non-current assets	6,704	7,681	8,531	8,350	8,016	8,125	8,824
Total equity	4,994	5,768	6,003	5,588	5,391	4,966	5,169
Owner's Equity	2,437	3,137	3,654	4,050	4,991	5,361	5,159
Capital Injections	0	0	2,376	2,618	2,671	2,742	2,765
Retained Earnings	0	0	34	91	52	70	45
Accumulated deficit	0	0	0	-765	-2,339	-3,077	-3,241
Other Equity	2,557	2,631	-61	-406	16	-130	441
Liabilities	3,291	3,514	4,717	5,171	5,247	5,524	5,871
Current liabilities	525	639	785	1,056	1,257	1,673	1,023
Non-current liabilities	2,766	2,875	3,932	4,115	3,990	3,851	4,848
Total equity and liabilities	8,285	9,282	10,721	10,759	10,638	10,490	11,040

Income Statement

GEL Millions

Aggregated (Excluding Marabda-Kartsakhi Railway)	2013	2014	2015	2016	2017	2018	2019
Total Revenue	1,745	1,891	2,316	2,513	2,776	2,824	3,170
Operating Revenue	1,639	1,802	2,196	2,339	2,605	2,636	2,943
Non-Operating Revenue	105	88	120	173	171	188	227
Operating Expenses	1,674	1,886	2,771	2,841	3,518	3,534	3,223
Operating Expenses	1,471	1,726	2,069	2,340	3,134	3,244	2,806

Depreciation and amortization	154	177	182	289	313	315	277
Non-Operating Expenses	203	160	702	500	384	290	417
Interest Cost	65	77	131	213	200	160	162
foreign exchange loss	0	0	423	243	90	70	212
Other Non-Operating Expenses	138	83	148	45	95	60	43
Profit before income tax	71	5	-455	-328	-742	-710	-53
Income Tax	63	17	-1	5	3	3	2
Net Profit	8	-12	-454	-333	-746	-713	-55

Financial Ratios

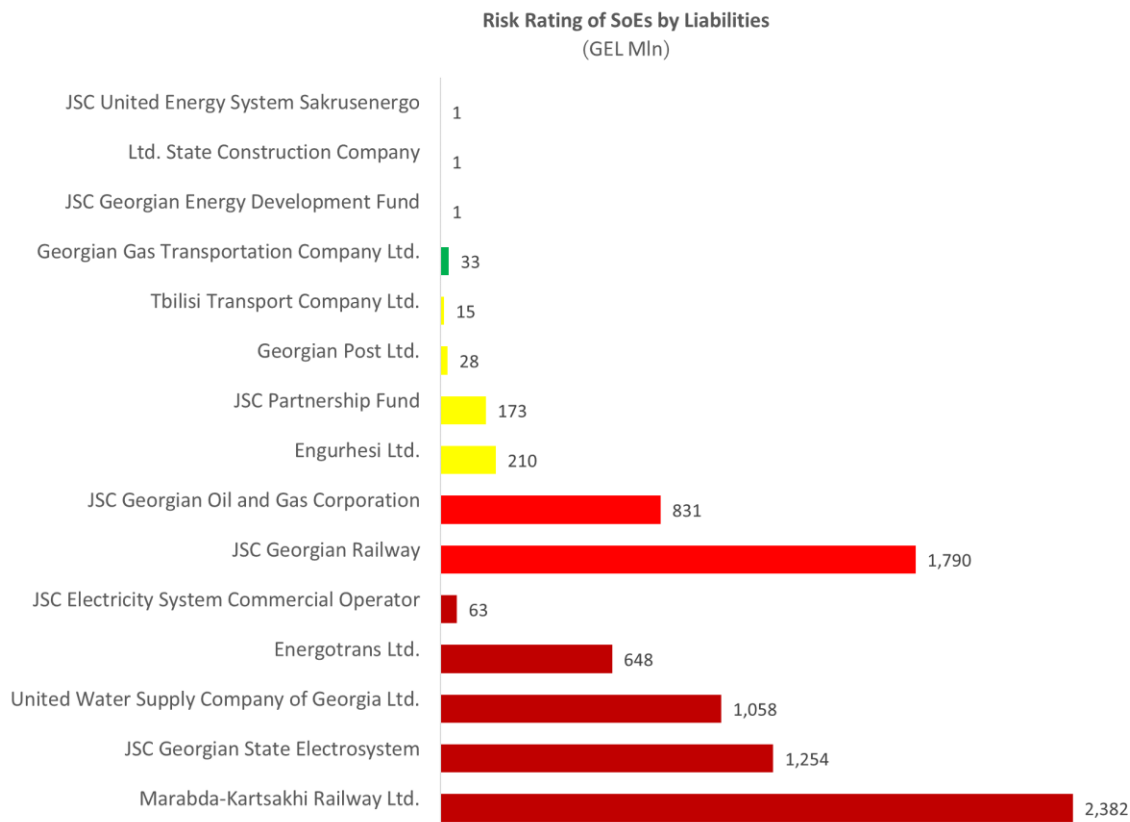
Aggregated (Excluding Marabda-Kartsakhi Railway)	2013	2014	2015	2016	2017	2018	2019
Profitability							
Revenue % Change YoY	-	8%	22%	8%	10%	2%	12%
Expenses % Change YoY	-	13%	47%	3%	24%	0%	-9%
Operating Margin	10%	4%	6%	0%	-20%	-23%	5%
Efficiency Ratio	96%	100%	120%	113%	127%	125%	102%
ROA	0%	0%	-4%	-3%	-7%	-7%	0%
ROE	0%	0%	-8%	-6%	-14%	-14%	-1%
Liquidity							
Current Ratio	301%	251%	279%	228%	209%	141%	216%
Solvency							
Debt to Equity	66%	61%	79%	93%	97%	111%	114%
Interest Coverage	13%	-16%	-346%	-156%	-373%	-446%	-34%

Risk Rating of SoEs

N	SoE Name	2012	2013	2014	2015	2016	2017	2018	2019
1	JSC Georgian Oil and Gas Corporation	Medium Risk	Low Risk	Low Risk	Medium Risk	Medium Risk	Low Risk	Low Risk	High Risk ⁵
2	JSC Georgian Railway	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Very High Risk	Very High Risk	High Risk
3	JSC Georgian State Electrosystem	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk
4	Energotrans Ltd.	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk
5	United Water Supply Company of Georgia Ltd.	Medium Risk	Medium Risk	Medium Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk
6	Engurhesi Ltd.	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Very High Risk	Medium Risk	Medium Risk	Medium Risk
7	JSC Electricity System Commercial Operator	Medium Risk	Medium Risk	Medium Risk	Very High Risk	Medium Risk	Medium Risk	Medium Risk	Very high Risk ⁶
8	Georgian Gas Transportation Company Ltd.	Low Risk	Low Risk	Very High Risk	Very High Risk	Medium Risk	Medium Risk	Low Risk	Low Risk
9	Marabda-Kartsakhi Railway Ltd.	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk	Very High Risk
10	Ltd. State Construction Company	Very High Risk	Medium Risk	Very High Risk	Medium Risk	Very High Risk	Medium Risk	Medium Risk	Low Risk
11	JSC Partnership Fund	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Very High Risk	Very High Risk	Medium Risk
12	Georgian Post Ltd.		Medium Risk	High Risk	Medium Risk	Medium Risk	High Risk	High Risk	Medium Risk
13	JSC United Energy System Sakrusenergo	Medium Risk	Very High Risk	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Low Risk	Low Risk
14	JSC Georgian Energy Development Fund	Medium Risk	Medium Risk	Medium Risk	Very High Risk	Low Risk	Medium Risk	Medium Risk	Low Risk
15	Tbilisi Transport Company Ltd.	Medium Risk	Medium Risk	Medium Risk	Medium Risk	High Risk	Very High Risk	Very High Risk	Medium Risk

⁵ Based on the 2019 financial ratios GOGC is in the low risk category, although it has high risk status due to large-scale quasi-fiscal risks. In particular, the financial burden associated with the maintenance of natural gas consumer tariffs by the corporation in the household sector has increased sharply in recent times.

⁶ Based on the 2019 financial ratios ESCO is in the medium risk category, although it has very high risk status as ESCO is obliged to purchase electricity from newly built power plants (PPA), regardless of whether it will receive electricity bills from consumers, which is a risk for the company.



Impact of COVID-19 on SOEs

By this time, the pressure on the fiscal sector from SOEs, due to the pandemic has not increased. However, the pandemic has a significant negative impact on the financial results of SOEs, which increases fiscal risks coming from this sector.

Before the pandemic the average monthly revenues of Tbilisi Transport Company was 13 million GEL, while in March-April 2020 because of public transport interruption in the city, this indicator was almost zero. At the same time, company fuel expenses decreased almost 10-15 times. While expenses on power energy decreased by 200K GEL because the metro and busses shut down. According to a company's assessment, revenues in 2020 decreased by 15% compared to 2019 due to the pandemic, which is approximately 40 million GEL.

Similar to the Tbilisi Transport Company, banned public transportation in March-June has significantly affected the Georgian Railway. It was compensated through the savings of repair and business trips expenses. Number of passengers transported in the second quarter of 2020 was decreased by almost 20% compared with the similar indicator of 2019. Revenues of the Georgian Railway in the segment of public

transportation decreased by about 30 million GEL (39%) in 2020, while the operating expenses, created with savings generated by the pandemic, were decreased by about 9.5 million GEL (2%).

LTD "Saqaeronavigatsia" - aviation industry was damaged during the pandemic of the COVID-19 and faced financial crisis as a result of the restrictions. Air flights of the "Saqaeronavigatsia" dropped by 89% from March 2020. Under an agreement reached with Eurocontrol member countries, airline service fees for airlines were deferred, in the result "Saqaeronavigatsia" almost does not receive any revenues. Based on an agreement reached with the European Bank for Reconstruction and Development (EBRD), company will receive the loan from the bank - 10 million Euros. The loan from the EBRD was officially approved (23-07-2020) and its purpose is to reduce the impact of the pandemic crisis on the SOEs, overcome the temporary shock and maintain the liquidity. The International Finance Institute has allocated the loan under the COVID-19 Solidarity Package Vital Infrastructure Support Program (VISP). "Saqaeronavigatsia" will provide the loan services from its own funds.

like "Sakaeronavigatsia", due to the pandemic, the gradual interruption of regular passenger flights from March 21 of this year, has also affected the "United Airports of Georgia ". The revenues of the company depend on the regular air flights, in the result the company had to correct its business plan for 2020. According to the original business plan, the company expected revenues were 81 170 274 GEL, while in the corrected business plan this amount decreased to 34 297 655 GEL, which is a 42% reduction.

Due to the pandemic, SOEs have lost about 130 million GEL in revenues in 2020, while a significant portion of expenses remained at the same level. At the moment, SOEs tend to maintain liquidity levels, however, the risk of the need for capital injections for financing operating expenses increases.

Financial Results of SOEs

1. JSC Partnership Fund

According to the individual financial statement of the company income from investments decreased by 27% due to decline from dividends levels, although other investment income significantly increased in 2019 compared to the previous year.

impairment loss was not as high in 2019 as it was in 2018.

In addition, impairment loss on investments in JSC Georgian Railway is included in individual financial statements (691 mln GEL). The fund does act as 100% shareholder of the company and is not involved in GR's management, also has not received dividends from the enterprise, therefore, impairment loss of JSC Georgian railway should not be included in PF's individual financial statements.

The fund was profitable in 2019, also, company stays as a source of fiscal risk.

Balance Sheet

GEL Millions

JSC Partnership Fund (Individual)	2015	2016	2017	2018	2019
Total assets	2,839	2,946	2,496	1,786	1,736
Current Assets	288	305	258	105	12
Non-current assets	2,551	2,642	2,239	1,681	1,724
Total equity	2,474	2,524	2,117	1,507	1,563
Owner's Equity	100	100	100	100	100
Capital Injections	2,376	2,539	2,592	2,664	2,675
Retained Earnings	0	0	0	0	0
Accumulated deficit	-2	-115	-575	-1,256	-1,212
Other Equity	0	0	0	0	0
Liabilities	365	422	379	279	173
Current liabilities	6	60	124	245	133
Non-current liabilities	359	362	256	34	40
Total equity and liabilities	2,839	2,946	2,496	1,786	1,736

Income Statement

GEL Millions

JSC Partnership Fund (Individual)	2015	2016	2017	2018	2019
Total Revenue	59	30	51	99	100
Operating Revenue	45	14	31	88	90
Non-Operating Revenue	14	16	19	11	10
Total Expenses	57	143	501	778	55
Operating Expenses	7	97	469	744	21
Depreciation and amortization	0	0	1	1	1
Non-Operating Expenses	50	46	32	34	33
Interest Cost	50	30	32	32	20
foreign exchange loss	0	15	0	2	14
Other Non-Operating Expenses	0	0	0	0	0
Profit before income tax	2	-113	-450	-680	45
Income Tax	0	0	0	1	1
Net Profit	2	-113	-450	-681 ⁷	44

Financial Ratios

JSC Partnership Fund (Individual)	2015	2016	2017	2018	2019
Profitability					
Revenue % Change YoY	-	-49%	69%	95%	1%
Expenses % Change YoY	-	150%	250%	55%	-93%

⁷ The Partnership fund's (separate) profit would be 11 mln GEL in 2017 and 42 mln GEL in 2018 without impairment loss on investment in subsidiaries.

Operating Margin	84%	-574%	-1395%	-747%	76%
Efficiency Ratio	97%	476%	989%	789%	55%
ROA	0%	-4%	-18%	-38%	3%
ROE	0%	-4%	-21%	-45%	3%
Liquidity					
Current Ratio	5108%	508%	208%	43%	9%
Solvency					
Debt to Equity	15%	17%	18%	18%	11%
Interest Coverage	3%	-371%	-1394%	-2144%	227%

Balance Sheet

GEL Millions

JSC Partnership Fund (Consolidated)	2013	2014	2015	2016	2017	2018	2019
Total assets	5,060	5,452	6,281	6,867	6,337	5,815	6,005
Current Assets	934	964	1,400	1,662	1,503	1,178	1,082
Non-current assets	4,126	4,488	4,880	5,205	4,834	4,637	4,923
Total equity	2,419	2,642	2,557	2,731	2,292	1,771	1,865
Owner's Equity	100	100	100	100	100	100	100
Capital Injections	0	0	2,376	2,601	2,654	2,726	2,749
Retained Earnings	0	0	34	0	0	0	0
Accumulated deficit	0	0	0	-18	-505	1,084	1,004
Other Equity	2,319	2,542	46	48	42	29	20
Liabilities	2,641	2,810	3,724	4,135	4,045	4,044	4,140
Current liabilities	282	433	449	743	991	1,378	718
Non-current liabilities	2,358	2,376	3,275	3,392	3,054	2,665	3,421
Total equity and liabilities	5,060	5,452	6,281	6,867	6,337	5,815	6,005

Income Statement

GEL Millions

JSC Partnership Fund (Consolidated)	2013	2014	2015	2016	2017	2018	2019
Total Revenue	1,080	1,163	1,494	1,644	1,819	1,831	2,167
Operating Revenue	1,023	1,131	1,437	1,566	1,742	1,760	2,112
Non-Operating Revenue	56	32	57	78	77	71	55
Total Expenses	972	1,023	1,699	1,630	2,298	2,414	2,095
Operating Expenses	816	888	1,113	1,212	2,036	2,200	1,787
Depreciation and amortization	154	177	182	204	210	205	181
Non-Operating Expenses	156	135	586	418	262	214	308
Interest Cost	49	66	119	163	154	142	104
foreign exchange loss	0	0	423	227	74	66	199

Other Non-Operating Expenses	107	69	44	28	35	6	5
Profit before income tax	108	140	-204	15	-479	-583	73
Income Tax	34	15	-10	-10	3	3	2
Net Profit	74	125	-195	24	-482	-585	71

Financial Ratios

JSC Partnership Fund	2013	2014	2015	2016	2017	2018	2019
Profitability							
Revenue % Change YoY	-	8%	29%	10%	11%	1%	18%
Expenses % Change YoY	-	5%	66%	-4%	41%	5%	-13%
Operating Margin	20%	21%	23%	23%	-17%	-25%	15%
Efficiency Ratio	90%	88%	114%	99%	126%	132%	97%
ROA	1%	2%	-3%	0%	-8%	-10%	1%
ROE	3%	5%	-8%	1%	-21%	-33%	4%
Liquidity							
Current Ratio	331%	222%	312%	224%	152%	85%	151%
Solvency							
Debt to Equity	109%	106%	146%	151%	176%	228%	222%
Interest Coverage	151%	188%	- 163%	15%	- 314%	- 412%	68%

1.1. JSC Georgian State Electrosystem(GSE)

Company has a negative capital in 2019 again. It completed the reporting year with a profit. At the same time, it is expected that the company will exit from the rehabilitation regime in Q4 of 2020.

Balance Sheet

Million GEL

JSC Georgian State Electrosystem	2013	2014	2015	2016	2017	2018	2019
Assets	1,023	1,078	1,144	1,272	1,100	1,130	1,172
Current Assets	66	70	58	65	79	117	148
Longterm Assets	958	1,009	1,086	1,207	1,022	1,013	1,024
Total Equity	220	260	153	104	-177	-127	-82
Owners' Equity	510	528	574	600	639	643	645
Capital Contribution	0	0	0	0	0	0	12
Retained Profit	0	0	0	0	0	0	0
Unpaid Losses	0	0	0	-508	-828	-781	-751

Other Equity	-290	-268	-421	12	12	12	12
Liabilities	803	819	991	1,168	1,278	1,257	1,254
Current Liabilities	91	132	136	211	512	633	161
Longterm Liabilities	713	687	856	957	766	624	1,094
Total Equity and Liabilities	1,023	1,078	1,144	1,272	1,100	1,130	1,172

Income Statement

Million GEL

JSC Georgian State Electrosystem	2013	2014	2015	2016	2017	2018	2019
Total Revenue	79	125	117	133	150	245	257
Operating Revenue	75	92	114	130	147	237	243
Non-Operating Revenue	3	32	3	3	3	8	15
Total Expenses	136	121	232	205	470	198	227
Operating Expenses	71	94	96	108	362	171	146
Depreciation/Amortization	0	0	0	52	56	47	45
Non-Operating Expenses	65	27	137	97	109	27	81
i.a. Interest Rate Expenses	5	21	21	20	21	21	21
i.a. Foreign Exchange Losses	0	0	0	71	81	6	55
Other Non-Operating Expenses	60	6	115	6	6	0	5
Net Profit Before Taxes	-58	4	-115	-72	-320	47	30
Profit Tax	6	0	-1	8	0	0	0
Net Profit	-63	4	-113	-80	-320	47	30

Financial Ratios

JSC Georgian State Electrosystem	2013	2014	2015	2016	2017	2018	2019
Profitability							
Revenues Change	-	58%	-6%	13%	13%	63%	5%
Expences Change	-	-11%	92%	-12%	130%	-58%	15%
Operating Margin	5%	-2%	17%	17%	-145%	28%	40%
Efficiency Ratio	173%	97%	198%	154%	313%	81%	88%
ROA	-6%	0%	-10%	-6%	-29%	4%	3%
ROE	-29%	1%	-74%	-77%	181%	-37%	-37%
Liquidity							
Current Ratio	73%	53%	43%	31%	15%	18%	92%

Leverage							
Debt to Equity	366%	315%	648%	1125%	-720%	-989%	-1524%
Interest Coverage	-1279%	17%	-534%	-400%	-1505%	223%	146%

1.1.1. LLC EnergoTrans

Company revenues have been increasing annually since 2013, though they were declining in 2019 compared to 2018, which is predominantly caused by the reduced profit due to the currency exchange fluctuation in the portion of its non-operational revenues. Also, revenues were declining from the export of power energy in 2019 compared to the previous year.

Financial liabilities are denominated in foreign currency, mainly in Euros. Hence, depreciation of the exchange rate has negatively affected the financial condition of the company.

Capital of the company was negative in 2019 again. Company completed the reporting year with a loss, Losses from the depreciated assets amounted 2019 5.04 million GEL in 2019.

Balance Sheet

Million GEL

LTD Energotrans	2013	2014	2015	2016	2017	2018	2019
Assets	701	670	625	591	307	249	231
Current Assets	40	35	24	21	15	11	11
Longterm Assets	661	635	601	570	293	238	220
Total Equity	71	80	-17	-57	-374	-402	-417
Owners' Equity	116	116	111	104	102	102	102
Capital Contribution	0	0	0	0	0	0	12
Retained Profit	0	0	0	0	0	0	0
Unpaid Losses	0	0	0	0	-477	-505	-531
Other Equity	-44	-36	-128	-161	0	0	0
Liabilities	630	590	642	648	682	651	648
Current Liabilities	73	86	73	65	323	414	61
Long term Liabilities	556	504	569	584	359	237	587

Total Equity and Liabilities	701	670	625	591	307	249	231
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Income Statement

Million GEL

LTD Energotrans	2013	2014	2015	2016	2017	2018	2019
Total Revenue	14	61	37	47	44	54	46
Operating Revenue	12	31	36	46	43	46	46
Non-Operating Revenue	2	30	1	1	1	8	0
Total Expenses	56	49	128	81	359	82	73
Operating Expenses	10	32	30	30	282	67	31
Depreciation/Amortization	0	0	0	0	22	12	10
Non-Operating Expenses	47	17	98	51	77	16	42
i.a. Interest Rate Expenses	0	17	17	16	16	16	16
i.a. Foreign Exchange Losses	0	0	0	0	61	0	26
Other Non-Operating Expenses	47	0	81	36	0	0	0
Net Profit Before Taxes	-43	12	-91	-35	-315	-28	-26
Profit Tax	2	-1	6	-2	0	0	0
Net Profit	-45	13	-97	-33	-315	-28	-26

Financial Ratios

LTD Energotrans	2013	2014	2015	2016	2017	2018	2019
Profitability							
Revenues Change	-	348%	-38%	25%	-6%	23%	-15%
Expences Change	-	-13%	162%	-36%	342%	-77%	-11%
Operating Margin	18%	-2%	18%	34%	-549%	-44%	34%
Efficiency Ratio	414%	80%	342%	174%	814%	151%	157%
ROA	-6%	2%	-16%	-6%	-102%	-11%	-11%
ROE	-63%	16%	561%	58%	84%	7%	6%
Liquidity							
Current Ratio	54%	41%	33%	33%	5%	3%	18%
Leverage							
Debt to Equity	884%	739%	-3721%	-1133%	-182%	-162%	-155%
Interest Coverage	-	75%	-575%	-212%	-1982%	-179%	-166%

1.2. JSC Georgian Railway

According to the audited reports of the company, its losses at the end of 2019 amounted 5.6 million GEL. Losses incurred in past years were predominantly conditioned by the depreciation of its assets. As for 2019, company carried out a depreciation test and compensation value of its assets were valued higher than their book value.

As noted already, company would have ended 2019 with a net profit of 15 million GEL, had it not had non-commercial activities.

Euro Bonds

Company launched 2 large capital projects in 2010 - modernization of the main railway and construction of Tbilisi Bypass railway. For their partial funding, company issued Euro Bonds in the value of 250 million USD in 2010 with a maturity of 5 years and placed them at the London Stock Exchange. In July 2012 company issued Euro Bonds in the value of 500 million USD with a maturity of 10 years and partially bought out the Euro Bonds issued in 2010 in the value of 250 million USD. Deadline for the repayment of bonds in the value of half a billion USD is in July 2022.

Euro Bonds set a restriction on the company towards payment of dividends accumulated since 2013, which shall not exceed 50% of the consolidated net profit accumulated by the company.

Balance Sheet

Million GEL

JSC Georgian Railway	2013	2014	2015	2016	2017	2018	2019
Assets	2,885	2,968	3,094	3,226	2,862	2,264	2,314
Current Assets	356	418	461	419	352	319	330
Longterm Assets	2,530	2,550	2,632	2,807	2,510	1,945	1,983
Total Equity	1,569	1,563	1,471	1,599	1,245	529	523
Owners' Equity	1,050	1,052	1,053	1,053	1,053	1,054	1,053
Capital Contribution	0	0	0	0	0	0	0
Retained Profit	0	0	0	0	93	-625	-630
Unpaid Losses	0	0	0	0	0	0	0
Other Equity	519	511	419	546	98	100	100
Liabilities	1,316	1,406	1,623	1,626	1,617	1,735	1,790
Current Liabilities	113	187	164	191	196	352	243
Long term Liabilities	1,203	1,219	1,459	1,435	1,421	1,383	1,547
Total Equity and Liabilities	2,885	2,968	3,094	3,226	2,862	2,264	2,314

Income Statement

Million GEL

JSC Georgian Railway	2013	2014	2015	2016	2017	2018	2019
Total Revenue	508	536	626	563	517	459	519
Operating Revenue	480	512	575	539	474	444	504
Non-Operating Revenue	28	24	52	24	43	15	15
Total Expenses	431	490	703	537	870	1,174	524
Operating Expenses	374	379	387	364	754	1,089	396
Depreciation/Amortization	0	0	0	33	110	114	81
Non-Operating Expenses	58	111	315	173	116	85	128
i.a. Interest Rate Expenses	14	45	59	53	53	47	43
i.a. Foreign Exchange Losses	0	0	0	0	0	38	85
Other Non-Operating Expenses	43	66	256	120	63	0	0
Net Profit Before Taxes	76	45	-76	26	-353	-715	-5
Profit Tax	11	6	-11	-39	1	1	1
Net Profit	65	39	-65	65	-354	-717	-6

Financial Ratios

JSC Georgian Railway	2013	2014	2015	2016	2017	2018	2019
Profitability							
Revenues Change	-	6%	17%	-10%	-8%	-11%	13%
Expences Change	-	14%	43%	-24%	62%	35%	-55%
Operating Margin	22%	26%	33%	33%	-59%	-145%	21%
Efficiency Ratio	85%	92%	112%	95%	168%	256%	101%
ROA	2%	1%	-2%	2%	-12%	-32%	0%
ROE	4%	3%	-4%	4%	-28%	-135%	-1%
Liquidity							
Current Ratio	315%	224%	282%	219%	179%	91%	136%
Leverage							
Debt to Equity	84%	90%	110%	102%	130%	328%	342%
Interest Coverage	458%	88%	-110%	123%	-663%	-1513%	-13%

1.3. JSC Georgian Oil and Gas Corporation

According to the financial data and performance analysis of JSC Georgian Oil and Gas Corporation, revenues increased by 25% in 2019, which is entirely conditioned by the gas segment.

According to the company reports, revenues in 2019 increased compared to the previous year as well as its expenditures. Company completed 2018 with a relatively less profit. According to the audit report of the company, it assumed commitment to offer a discount to its principal client in view of gas supply, which

is 15 USD per thousand cubic meters of gas according to the contract for the volume of of gas sold within the grace period to the population of Georgia by the client. Discounted gas will be sold by the client in 2021-2025. As a result, possibility of additional gas purchase with a discount given to the client enables it to acquire extra goods for the price, which does not reflect the independent sales price. Thus, respective contractual obligation was acknowledged in 2019 with a relevant reduction of revenues for the year competing at December 31, 2019.

Euro Bonds

Company completed the buy out of Euro Bonds in the value of 250 000 000 USD placed at the London Stock Exchange in 2012 and issuance of new Euro bonds in the nominal value of 250 000 000 USD in 2016. According to the schedule, full repayment of the Euro bonds should happen in April 2021 and it is also entitled to buy them out at an earlier date.

With an aim of buying out its Euro bonds, corporation is considering borrowing from the EBRD under the following terms and conditions:

- Loan amount: equivalent of 250 million USD in Euros, though not exceeding 217 million Euros. Company will disburse the loan in April 2021, several days before the buy-out of Euro bonds becomes due;
- Maturity of the loan: 10 years;
- Accrued annual interest rate: for the first four years - Semi-Annual EURIBOR+3.30%, after 4 years - EURIBOR + 3.75%, After 6 years - EURIBOR + 4%;
- Security of the loan – LLC Gardabani TPP and LLC Gardabani 2 TPP.

Balance Sheet

Million GEL

JSC Georgian Oil and Gas Corporation	2013	2014	2015	2016	2017	2018	2019
Assets	1,055	1,231	1,404	1,581	1,660	1,693	1,887
Current Assets	407	306	446	712	709	552	506
Longterm Assets	648	925	958	869	951	1,141	1,381
Total Equity	569	676	715	712	913	992	1,057
Owners' Equity	510	573	611	617	625	627	643
Capital Contribution	0	0	0	72	72	72	60
Retained Profit	0	0	0	265	429	485	531
Unpaid Losses	0	0	0	0	0	0	0
Other Equity	59	103	104	-242	-213	-191	-177
Liabilities	486	555	689	870	747	701	831
Current Liabilities	44	84	88	219	110	42	121
Long term Liabilities	442	471	601	651	637	658	710
Total Equity and Liabilities	1,055	1,231	1,404	1,581	1,660	1,693	1,887

Income Statement

Million GEL

JSC Georgian Oil and Gas Corporation	2013	2014	2015	2016	2017	2018	2019
Total Revenue	380	372	529	696	750	688	915
Operating Revenue	326	358	495	635	680	645	881
Non-Operating Revenue	55	14	33	61	71	44	35
Total Expenses	269	279	488	599	528	527	794
Operating Expenses	239	268	401	485	474	463	728
Depreciation/Amortization	0	0	0	40	37	38	38
Non-Operating Expenses	29	11	87	113	54	65	66
i.a. Interest Rate Expenses	29	0	22	48	49	43	29
i.a. Foreign Exchange Losses	0	0	0	50	5	22	37
Other Non-Operating Expenses	0	10	65	15	0	0	0
Net Profit Before Taxes	112	93	41	97	222	161	121
Profit Tax	17	10	4	19	2	0	0
Net Profit	94	84	36	78	220	161	121

Financial Ratios

JSC Georgian Oil and Gas Corporation	2013	2014	2015	2016	2017	2018	2019
Profitability							
Revenues Change	-	-2%	42%	32%	8%	-8%	33%
Expences Change	-	4%	75%	23%	-12%	0%	51%
Operating Margin	27%	25%	19%	24%	30%	28%	17%
Efficiency Ratio	71%	75%	92%	86%	70%	77%	87%
ROA	9%	7%	3%	5%	13%	10%	6%
ROE	17%	12%	5%	11%	24%	16%	11%
Liquidity							
Current Ratio	930%	365%	507%	325%	645%	1299%	418%
Leverage							
Debt to Equity	85%	82%	96%	122%	82%	71%	79%
Interest Coverage	325%	67869%	166%	162%	453%	378%	421%

1.4. JSC Commercial Operator of the Georgian Electricity System JSC Electricity System Commercial Operator (ESCO) has a natural monopoly on the supply of balancing electricity. Balancing electricity share

in total revenue that company generates from contracts with customers is 69% and guaranteed capacity share is 28.9%.

ESCO is a party to Power Purchase Agreements (PPAs), so this company is the main source of contingent liabilities from state-owned enterprises. The risks arising from PPA contracts are assessed below.

Balance Sheet

GEL Millions

JSC Electricity System Commercial Operator	2013	2014	2015	2016	2017	2018	2019
Total assets	34	36	57	63	52	87	76
Current Assets	33	36	57	63	52	86	74
Non-current assets	1	1	1	0	0	1	2
Total equity	6	7	5	7	17	14	13
Owner's Equity	0	0	0	0	0	0	0
Capital Injections	0	0	0	0	0	0	0
Retained Earnings	0	0	0	7	17	13	13
Accumulated deficit	0	0	0	0	0	0	0
Other Equity	6	7	5	0	0	0	0
Liabilities	28	30	52	56	36	73	63
Current liabilities	28	30	52	56	36	73	63
Non-current liabilities	0	0	0	0	0	0	0
Total equity and liabilities	34	36	57	63	52	87	76

Income Statement

GEL Millions

JSC Electricity System Commercial Operator	2013	2014	2015	2016	2017	2018	2019
Total Revenue	118	166	231	328	508	524	572
Operating Revenue	117	165	230	327	506	522	571
Non-Operating Revenue	1	1	1	1	2	2	1
Operating Expenses	117	165	232	326	498	524	571
Operating Expenses	116	164	232	326	498	524	571
Depreciation and amortization	0	0	0	0	0	0	1
Non-Operating Expenses	1	2	0	0	0	0	0
Interest Cost	0	0	0	0	0	0	0
foreign exchange loss	0	2	0	0	0	0	0
Other Non-Operating Expenses	1	0	0	0	0	0	0
Profit before income tax	1	1	-2	2	10	0	1
Income Tax	0	0	0	0	0	0	0
Net Profit	1	1	-2	2	10	0	1

Financial Ratios

JSC Electricity System Commercial Operator	2013	2014	2015	2016	2017	2018	2019
Profitability							
Revenue % Change YoY	-	41%	39%	42%	55%	3%	9%
Expenses % Change YoY	-	41%	41%	40%	53%	5%	9%
Operating Margin	1%	1%	-1%	0%	2%	0%	0%
Efficiency Ratio	99%	99%	101%	99%	98%	100%	100%
ROA	3%	3%	-3%	3%	19%	0%	1%
ROE	16%	18%	-35%	26%	60%	1%	4%
Liquidity							
Current Ratio	118%	121%	108%	112%	147%	118%	118%
Solvency							
Debt to Equity	501%	430%	1029 %	816%	210%	531%	469%
Interest Coverage	-	-	-	-	-	-	291%

2. LLC United Water Supply Company of Georgia

The company has been experiencing operating losses in recent years, maybe because of implicit quasi-fiscal activities.

The company employs 2700 workers, the company serves 316 thousand residential and up to 22 thousand nonresidential customers.

Improve depreciated infrastructure, reduce water losses, refine metering systems and tariff policies still remain for the company as a challenge. It is appropriate to review the tariff only when inefficiencies of the operating costs and potential implicit quasi-fiscal activities should be eliminated.

Balance Sheet

GEL Millions

UWSCG	2013	2014	2015	2016	2017	2018	2019
Total assets	455	553	636	545	712	853	1,080
Current Assets	45	38	38	44	93	76	81

Non-current assets	410	515	598	501	619	777	999
Total equity	296	297	256	7	15	16	22
Owner's Equity	185	204	218	255	288	381	383
Capital Injections	0	0	0	0	0	0	0
Retained Earnings	0	0	0	0	0	0	0
Accumulated deficit	0	0	0	-401	-464	-504	-590
Other Equity	112	93	38	153	191	139	229
Liabilities	159	257	380	538	697	837	1,058
Current liabilities	12	9	13	24	40	75	125
Non-current liabilities	146	247	367	514	657	762	933
Total equity and liabilities	455	553	636	545	712	853	1,080

Income Statement

GEL Millions

UWSCG	2013	2014	2015	2016	2017	2018	2019
Total Revenue	46	33	31	34	42	41	46
Operating Revenue	46	33	31	33	39	39	42
Non-Operating Revenue	0	0	0	1	3	3	5
Operating Expenses	59	61	109	99	105	82	131
Operating Expenses	48	66	58	64	66	71	77
Depreciation and amortization	0	0	0	15	16	16	17
Non-Operating Expenses	12	-4	51	36	39	11	54
Interest Cost	0	0	0	35	39	9	53
foreign exchange loss	0	0	0	0	0	2	2
Other Non-Operating Expenses	12	-4	51	0	0	0	0
Profit before income tax	-14	-28	-78	-65	-63	-40	-85
Income Tax	0	0	0	0	0	0	0
Net Profit	-14	-28	-78	-65	-63	-40	-85

Financial Ratios

UWSCG	2013	2014	2015	2016	2017	2018	2019
Profitability							
Revenue % Change YoY	-	-27%	-6%	9%	24%	-1%	12%
Expenses % Change YoY	-	3%	79%	-9%	6%	-23%	61%
Operating Margin	-4%	-97%	-88%	-95%	-69%	-83%	-84%
Efficiency Ratio	130%	184%	352%	293%	252%	198%	284%
ROA	-3%	-5%	-12%	-12%	-9%	-5%	-8%
ROE	-5%	-9%	-31%	-	-	-	-
				984%	434%	250%	380%
Liquidity							
Current Ratio	359%	410%	295%	186%	231%	102%	65%

Solvency							
Debt to Equity	54%	86%	148%	8085 %	4762 %	5181 %	4741 %
Interest Coverage	-	-	-	- 185%	- 161%	- 425%	- 162%

3. JSC United Energy System SakRusEnergo

Balance sheet

Balance Sheet

Million GEL

JSC United Energy System Sakrusenergo	2013	2014	2015	2016	2017	2018	2019
Assets	93	93	95	93	93	107	122
Current Assets	7	11	13	15	13	28	43
Longterm Assets	86	83	82	78	80	79	79
Total Equity	91	91	93	91	92	107	121
Owners' Equity	232	232	232	230	230	230	230
Capital Contribution	0	0	0	2	2	2	2
Retained Profit	0	0	0	0	0	0	0
Unpaid Losses	0	0	0	-141	-141	-125	-111
Other Equity	-141	-141	-139	0	0	0	0
Liabilities	2	2	2	3	2	0	1
Current Liabilities	2	2	2	3	2	0	1
Long term Liabilities	0	0	0	0	0	0	0
Total Equity and Liabilities	93	93	95	93	93	107	122

Income Statement

Million GEL

JSC United Energy System Sakrusenergo	2013	2014	2015	2016	2017	2018	2019
Total Revenue	14	15	17	18	21	36	36
Operating Revenue	14	15	17	17	19	35	33
Non-Operating Revenue	0	0	0	1	1	1	3
Total Expences	14	15	14	17	17	21	22

Operating Expenses	13	14	14	17	17	20	22
Depreciation/Amortization	0	0	0	3	4	4	4
Non-Operating Expenses	0	0	0	0	0	1	0
i.a. Interest Rate Expenses	0	0	0	0	0	1	0
i.a. Foreign Exchange Losses	0	0	0	0	0	0	0
Other Non-Operating Expenses	0	0	0	0	0	0	0
Net Profit Before Taxes	0	1	3	1	3	15	14
Profit Tax	22	0	0	4	0	0	0
Net Profit	-22	0	2	-3	3	15	14

Financial Ratios

JSC United Energy System Sakrusenergo	2013	2014	2015	2016	2017	2018	2019
Profitability							
Revenues Change	-	9%	13%	6%	13%	76%	-2%
Expences Change	-	7%	-2%	20%	0%	22%	3%
Operating Margin	3%	4%	15%	2%	11%	42%	34%
Efficiency Ratio	98%	97%	84%	95%	83%	58%	61%
ROA	-23%	0%	2%	-3%	3%	14%	11%
ROE	-24%	0%	2%	-3%	3%	14%	12%
Liquidity							
Current Ratio	345%	477%	732%	566%	823%	5893%	4978%
Leverage							
Debt to Equity	2%	2%	2%	3%	2%	0%	1%
Interest Coverage	-12113%	-	-	-	-	2539%	-

4. LLC Gas Transportation Company of Georgia

Company completed 2019 with a higher profit compared to the previous year. Further changes developed in 2019 and 2018 have had a significant impact on the company. In 2019 (on the grounds of an Order issued on December 10, 2018), gas transportation tariff got adjusted and GNERC set 18.70 GEL for every transported 1000 cubic meter of gas. This tariff was applied for the entire 2019, at the end of which GNERC set a new tariff for the transportation of gas in 2020-2022 at 18.95 GEL for every transported 1000 cubic meter of gas. As of December 31, 2018 every consumer was subject to a new, common tariff, which was set from July 20, 2017 at 18.84 GEL for every transported 1000 cubic meter of gas.

Balance Sheet

Million GEL

LTD Georgian Gas Transportation Company	2013	2014	2015	2016	2017	2018	2019
Assets	52	78	100	108	158	141	173
Current Assets	35	50	69	69	123	108	114
Longterm Assets	17	28	31	38	35	33	59
Total Equity	48	42	2	57	117	103	141
Owners' Equity	3	23	26	36	84	56	34
Capital Contribution	0	0	0	14	14	14	14
Retained Profit	0	0	0	8	19	32	52
Unpaid Losses	0	0	0	0	0	0	0
Other Equity	45	20	-24	0	0	0	40
Liabilities	4	36	98	51	41	38	33
Current Liabilities	4	36	98	51	20	19	13
Long term Liabilities	0	0	0	0	21	19	20
Total Equity and Liabilities	52	78	100	108	158	141	173

Income Statement

Million GEL

LTD Georgian Gas Transportation Company	2013	2014	2015	2016	2017	2018	2019
Total Revenue	151	189	222	165	182	108	120
Operating Revenue	149	187	218	161	165	104	117
Non-Operating Revenue	2	2	3	4	18	4	4
Total Expenses	133	201	264	114	171	93	100
Operating Expenses	133	201	264	114	171	93	100
Depreciation/Amortization	0	0	0	2	2	2	2
Non-Operating Expenses	0	0	0	0	0	0	0
i.a. Interest Rate Expenses	0	0	0	0	0	0	0
i.a. Foreign Exchange Losses	0	0	0	0	0	0	0
Other Non-Operating Expenses	0	0	0	0	0	0	0
Net Profit Before Taxes	18	-13	-42	51	11	16	20
Profit Tax	1	-2	2	3	0	0	0
Net Profit	16	-11	-44	48	11	16	20

Financial Ratios

LTD Georgian Gas Transportation Company	2013	2014	2015	2016	2017	2018	2019
Profitability							
Revenues Change	-	25%	18%	-25%	10%	-41%	11%
Expences Change	-	51%	31%	-57%	50%	-46%	8%
Operating Margin	10%	-8%	-21%	29%	-4%	11%	14%
Efficiency Ratio	88%	107%	119%	69%	94%	86%	83%
ROA	32%	-14%	-44%	45%	7%	11%	11%
ROE	35%	-26%	-1850%	85%	10%	15%	14%
Liquidity							
Current Ratio	787%	139%	71%	137%	611%	569%	906%
Leverage							
Debt to Equity	9%	85%	4128%	88%	35%	37%	23%
Interest Coverage	-	-	-	-	-	-	-

5. JSC Georgian Energy Development Fund

Revenues generated by the company increased 4 times in contrast with 2018, which was conditioned by a one-off transaction and namely the company profited from investments and sale of assets. GEDF sold 50.1% of its Subsidiary (LLC Kartli Wind Power Plant) for 7 214 400 USD (20 702 442 GEL) to LLC Georgian Wind Company on December 30, 2019.

Balance Sheet

Million GEL

JSC Georgian Energy Development Fund	2013	2014	2015	2016	2017	2018	2019
Assets	31	56	100	71	70	72	83
Current Assets	13	20	43	32	31	31	51
Longterm Assets	18	35	57	39	39	41	32
Total Equity	31	55	56	70	70	72	82
Owners' Equity	29	52	54	54	56	56	56
Capital Contribution	0	0	0	0	0	0	0
Retained Profit	0	0	0	16	14	16	25
Unpaid Losses	0	0	0	0	0	0	0
Other Equity	1	2	1	0	0	0	0
Liabilities	0	1	44	1	0	0	1
Current Liabilities	0	1	44	1	0	0	1
Long term Liabilities	0	0	0	0	0	0	0
Total Equity and Liabilities	31	56	100	71	70	72	83

Income Statement

Million GEL

JSC Georgian Energy Development Fund	2013	2014	2015	2016	2017	2018	2019
Total Revenue	1	2	2	26	3	3	13
Operating Revenue	0	1	0	0	0	1	0
Non-Operating Revenue	1	1	2	26	3	3	13
Total Expenses	1	1	3	9	2	2	3
Operating Expenses	1	1	1	1	1	2	3
Depreciation/Amortization	0	0	0	0	0	0	0
Non-Operating Expenses	0	0	2	8	0	1	0
i.a. Interest Rate Expenses	0	0	0	3	0	0	0
i.a. Foreign Exchange Losses	0	0	0	1	0	0	0
Other Non-Operating Expenses	0	0	2	4	0	1	0
Net Profit Before Taxes	0	1	-1	17	1	1	10
Profit Tax	0	0	0	2	0	0	0
Net Profit	0	1	-1	15	1	1	10

Financial Ratios

JSC Georgian Energy Development Fund	2013	2014	2015	2016	2017	2018	2019
Profitability							
Revenues Change	-	43%	35%	1012%	-88%	9%	280%
Expences Change	-	15%	240%	156%	-81%	35%	37%
Operating Margin	-	-44%	-	-	-	-150%	-
Efficiency Ratio	72%	58%	147%	34%	56%	69%	25%
ROA	1%	1%	-1%	21%	2%	1%	12%
ROE	1%	1%	-2%	22%	2%	1%	12%
Liquidity							
Current Ratio	7680%	1911%	97%	2528%	93147%	102136%	3422%
Leverage							
Debt to Equity	1%	2%	79%	2%	0%	0%	2%
Interest Coverage	-	-	-	473%	-	-	-

6. LLC Enguri HPP

Enguri HPP supplies power energy for gratis to the occupied Abkhazia, Share of Abkhazian consumption increases from one year to another in the annual generation of the company, which has turned into a financial burden for the company. It is an explicit quasi-fiscal activity.

Enguri HPP completed 2019 with a loss in the value of 5 million GEL.(consolidated) In addition, it should be noted that it would have generated a net profit in the value of 15 million GEL, if the Enguri HPP had supplied the same amount of free power with a commercial tariff or if operating expenses reduced in the proportion required for its generation.

Balance Sheet

GEL Millions

Enguri HPP	2013	2014	2015	2016	2017	2018	2019
Total assets	306	330	349	348	354	371	388
Current Assets	20	14	14	6	11	31	40
Non-current assets	286	315	335	341	342	340	348
Total equity	189	200	186	169	161	182	177
Owner's Equity	174	208	207	207	208	208	208
Capital Injections	0	0	0	0	0	0	0
Retained Earnings	0	0	0	0	0	0	0
Accumulated deficit	0	0	0	-38	-47	-26	-31
Other Equity	15	-8	-21	0	0	0	0
Liabilities	117	130	163	179	192	188	210
Current liabilities	1	9	6	16	2	4	6
Non-current liabilities	116	121	157	163	190	184	204
Total equity and liabilities	306	330	349	348	354	371	388

Income Statement

GEL Millions

Enguri HPP	2013	2014	2015	2016	2017	2018	2019
Total Revenue	42	61	47	37	42	63	44
Operating Revenue	42	54	46	37	42	62	43
Non-Operating Revenue	0	7	1	0	0	1	1
Operating Expenses	49	50	60	45	51	43	49
Operating Expenses	39	44	46	35	36	40	40
Depreciation and amortization	0	0	0	1	1	1	1
Non-Operating Expenses	10	6	14	10	15	3	8
Interest Cost	2	0	0	3	3	3	3
foreign exchange loss	0	0	0	7	13	0	6
Other Non-Operating Expenses	8	5	14	0	0	0	0
Profit before income tax	-7	11	-13	-8	-9	21	-5
Income Tax	0	0	0	0	0	0	0
Net Profit	-7	11	-13	-8	-9	21	-5

Financial Ratios

Enguri HPP	2013	2014	2015	2016	2017	2018	2019
Profitability							
Revenue % Change YoY	-	45%	-23%	-21%	14%	49%	-31%
Expenses % Change YoY	-	2%	20%	-24%	13%	-17%	15%
Operating Margin	7%	19%	0%	5%	15%	36%	6%
Efficiency Ratio	116%	82%	128%	122%	120%	67%	111%
ROA	-2%	3%	-4%	-2%	-2%	6%	-1%
ROE	-4%	6%	-7%	-5%	-5%	11%	-3%
Liquidity							
Current Ratio	1878 %	155%	233%	41%	642%	817%	625%
Solvency							
Debt to Equity	62%	65%	88%	106%	119%	103%	119%
Interest Coverage	- 364%	2678 %	- 2639 %	- 300%	- 327%	807%	- 185%

7. LLC Tbilisi Transport Company

Balance Sheet

Million GEL

LTD Tbilisi Transport Company	2013	2014	2015	2016	2017	2018	2019
Assets	484	468	460	511	288	424	811
Current Assets	47	32	37	51	71	221	162
Longterm Assets	437	436	423	460	217	203	649
Total Equity	482	465	458	472	249	383	797
Owners' Equity	337	339	348	365	332	521	737
Capital Contribution	0	0	0	0	0	0	0
Retained Profit	0	0	0	0	0	0	0
Unpaid Losses	0	0	0	0	-83	-138	-294
Other Equity	145	126	110	107	0	0	354
Liabilities	2	2	2	39	39	42	15
Current Liabilities	2	2	2	39	14	19	15
Long Term Liabilities	0	0	0	0	25	23	0
Total Equity and Liabilities	484	468	460	511	288	424	811

Income Statement

Million GEL

LTD Tbilisi Transport Company	2013	2014	2015	2016	2017	2018	2019
Total Revenue	104	114	117	122	132	149	192
Operating Revenue	100	109	112	113	128	140	163
Non-Operating Revenue	4	5	5	9	4	9	29
Total Expenses	121	133	133	133	202	205	212
Operating Expenses	120	132	133	132	202	205	212
Depreciation/Amortization	0	0	0	0	16	16	34
Non-Operating Expenses	1	1	0	0	0	0	0
i.a. Interest Rate Expenses	0	0	0	0	0	0	0
i.a. Foreign Exchange Losses	0	0	0	0	0	0	0
Other Non-Operating Expenses	1	1	0	0	0	0	0
Net Profit Before Taxes	-17	-19	-16	-10	-71	-56	-20
Profit Tax	0	0	0	0	0	0	0
Net Profit	-17	-19	-16	-10	-71	-56	-20

Financial Ratios

LTD Tbilisi Transport Company	2013	2014	2015	2016	2017	2018	2019
Profitability							
Revenues Change	-	10%	2%	4%	8%	13%	29%
Expences Change	-	10%	0%	-1%	53%	1%	3%
Operating Margin	-20%	-21%	-19%	-17%	-58%	-46%	-30%
Efficiency Ratio	116%	116%	114%	108%	153%	137%	110%
ROA	-4%	-4%	-3%	-2%	-24%	-13%	-2%
ROE	-4%	-4%	-3%	-2%	-28%	-15%	-2%
Liquidity							
Current Ratio	2516%	1296%	1750%	131%	506%	1167%	1111%
Leverage							
Debt to Equity	0%	1%	0%	8%	16%	11%	2%
Interest Coverage	-	-	-	-6143%	-41511%	-	-

8. LLC Georgian Post

According to the company's consolidated financial report, the company's revenue in 2019 is 83 Million GEL and is decreased by 15%, compared to the previous reporting year, as

the result of decreasing revenues from receiving, processing and sending of mailings. Percentage illustration of the company revenues according to activities are the following:

- Revenue from the postal services - 42%;
- Revenue from logistic services - 19%;
- Revenue from retail trade - 34%.

Balance Sheet

Million GEL

LTD Georgian Post	2013	2014	2015	2016	2017	2018	2019
Assets	50	53	57	70	72	84	80
Current Assets	14	16	21	32	27	43	35
Longterm Assets	36	37	35	38	45	41	44
Total Equity	40	39	39	48	51	47	52
Owners' Equity	43	43	42	51	51	48	50
Capital Contribution	0	0	0	0	0	0	0
Retained Profit	0	0	0	0	0	0	0
Unpaid Losses	0	0	0	0	0	0	0
Other Equity	-3	-4	-3	-3	0	0	2
Liabilities	10	14	18	22	21	37	28
Current Liabilities	10	14	17	22	21	28	16
Long term Liabilities	0	0	0	0	0	9	12
Total Equity and Liabilities	50	53	57	70	72	84	80

Income Statement

Million GEL

LTD Georgian Post	2013	2014	2015	2016	2017	2018	2019
Total Revenue	0	54	61	73	89	103	90
Operating Revenue	0	53	59	70	86	98	83
Non-Operating Revenue	0	1	3	3	3	5	7
Total Expenses	0	56	61	72	89	104	87
Operating Expenses	0	54	59	69	86	100	82
Depreciation/Amortization	0	0	0	0	3	4	4
Non-Operating Expenses	0	2	1	3	3	4	5
i.a. Interest Rate Expenses	0	0	0	0	0	0	0
i.a. Foreign Exchange Losses	0	0	0	0	0	0	3
Other Non-Operating Expenses	0	2	1	3	3	4	2
Net Profit Before Taxes	0	-1	1	1	0	0	3
Profit Tax	0	0	0	0	0	0	0

Net Profit	0	-1	1	1	0	0	3
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Financial Ratios

LTD Georgian Post	2013	2014	2015	2016	2017	2018	2019
Profitability							
Revenues Change	-	-	13%	19%	22%	16%	-13%
Expences Change	-	-	9%	19%	24%	16%	-16%
Operating Margin	-	0%	-1%	1%	-1%	-1%	1%
Efficiency Ratio	-	102%	99%	98%	100%	100%	97%
ROA	0%	-2%	1%	2%	0%	0%	4%
ROE	0%	-3%	2%	3%	0%	-1%	6%
Liquidity							
Current Ratio	142%	113%	122%	146%	132%	152%	221%
Leverage							
Debt to Equity	26%	37%	46%	45%	41%	78%	53%
Interest Coverage	-	-	-	-	-	-	-

9. LLC Marabda-Kartsakhi Railway

During the sectorization of SOEs this company was not classified either into public corporation, or in the government sector. Core business of the company is to build a railway line through the territory of Georgia, which connects Azerbaijani and Turkish railway networks and its operation does not involve profit generation Hence, it is not justified to consider Marabda-Kartsakhi in the consolidated financial results of the SOE portfolio.

Current loss of the company is conditioned with a loss derived from the currency exchange fluctuations and expenditures incurred on the accrued interest.

Company has borrowed from the Ministry of Transport of the Republic of Azerbaijan. Credit line is 775 million USD and it has the only purpose – funding of the project and any unavoidable operating expense related to it. Loan was disbursed in 2 tranches:

- First tranche – 200 million UDS with an annual interest rate of 1%; tranche is fully absorbed;
- Second tranche - 575 million USD with an annual interest rate of 5%; As of December 31, 2019 company has not absorbed about 109 million USD within the second tranche of the credit line.

Company borrowings are not part of the public debt.

Balance Sheet

Million
GEL

LTD Marabda-Kartsakhi Railway	2013	2014	2015	2016	2017	2018	2019
Assets	870	1,010	1,170	1,285	1,393	1,461	1,535
Current Assets	375	344	310	261	281	258	248
Longterm Assets	496	666	860	1,025	1,112	1,203	1,288
Total Equity	8	-82	-414	-616	-565	-664	-847
Owners' Equity	54	53	53	53	53	57	57
Capital Contribution	0	0	0	30	30	30	0
Retained Profit	0	0	0	0	0	0	0
Unpaid Losses	0	0	0	-699	-648	-751	-933
Other Equity	-46	-135	-467	0	0	0	30
Liabilities	862	1,092	1,584	1,902	1,959	2,126	2,382
Current Liabilities	8	9	23	10	14	19	23
Long term Liabilities	854	1,083	1,561	1,891	1,945	2,107	2,359
Total Equity and Liabilities	870	1,010	1,170	1,285	1,393	1,461	1,535

Income Statement

Million GEL

LTD Marabda-Kartsakhi Railway	2013	2014	2015	2016	2017	2018	2019
Total Revenue	0	9	0	0	41	0	0
Operating Revenue	0	0	0	0	0	0	0
Non-Operating Revenue	0	9	0	0	41	0	0
Total Expenses	52	97	332	205	28	103	183
Operating Expenses	11	13	16	18	20	20	22
Depreciation/Amortization	0	0	0	2	2	2	2
Non-Operating Expenses	41	84	317	188	8	82	161
i.a. Interest Rate Expenses	3	5	6	8	8	11	9
i.a. Foreign Exchange Losses	0	0	0	180	0	68	152
Other Non-Operating Expenses	38	79	311	0	0	4	0
Net Profit Before Taxes	-52	-88	-332	-205	14	-103	-183
Profit Tax	0	0	0	-3	0	0	0
Net Profit	-52	-88	-332	-202	14	-103	-183

Financial Ratios

LTD Marabda-Kartsakhi Railway	2013	2014	2015	2016	2017	2018	2019
Profitability							
Revenues Change	-	2557%	-100%	-100%	-	-100%	-
Expences Change	-	86%	243%	-38%	-87%	272%	78%
Operating Margin	-	-	-65090%	-	-	-	-
Efficiency Ratio	15666%	1099%	1387511%	-	67%	-	285271%
ROA	-6%	-9%	-28%	-16%	1%	-7%	-12%
ROE	-622%	108%	80%	33%	-2%	15%	22%
Liquidity							
Current Ratio	4917%	3942%	1353%	2579%	2071%	1365%	1077%
Leverage							
Debt to Equity	10379%	-1333%	-382%	-309%	-346%	-320%	-281%

Interest Coverage	-2009%	-1738%	-5341%	-2626%	173%	-935%	-1973%
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Sensitivity analysis of SoEs

Introduction

This chapter provides a financial risk analysis of the six major Georgian State Owned Enterprises (SOEs). The chapter discusses the purpose of the analysis, key assumptions underlying the analysis and the modeled macroeconomic scenarios also key findings of risk analysis and conclusions. Appendices to the chapter provide the detailed base case financial projections and the results of the scenario analysis for the six SOEs, both consolidated and individual. The six SOEs that are examined are:

1. Enguri HPP;
2. Georgian Railway;
3. Georgian Oil and Gas Corporation (GOGC);
4. Georgian State Electrosystem (GSE);
5. Marabda-Kartsakhi (MK) Rail;
6. United Water Supply (UWS).

These SOEs have been chosen because of their financial significance, with the six SOEs accounting for approximately 67% of the total revenue of SOEs in Georgia.

The Objectives of the Sensitivity analysis

The objective of the scenario analysis is to provide a “high level” financial assessment of some of the financial risks the Georgian government faces from several large SOEs over the next five years. The key question the analysis seeks to address is “what are the financial implications for the SOEs and their shareholder, the Georgian Government, of adverse macroeconomic shocks. The shocks that are modeled are adverse shocks to GDP growth, the exchange rate, and interest rates.

The analysis is undertaken at a high-level and the quantification of the risks is intended to be indicative rather than precise as there is inevitable uncertainty about the future financial projections and the impact of external events on a company.

The model includes three-year historic (2017-2019) and five-year Pro-forma (2020-2024) financial projections. The financial statements are a high-level Income Statement, Balance Sheet and Statement of Cash Flows. From these financial statements, key financial ratios are generated.

The Economic Scenarios

The model considers six scenarios for Georgia’s macroeconomic outlook.

- Scenario 1, the base-case scenario, uses each SOE's financial forecasts for the company's current and subsequent four years (i.e. 2020 to 2024);
- Scenario 2 - assumes an adverse GDP shock, with GDP growing by only 2% in 2021-2022 and 3.3% in 2023 (compared with the base case assumptions of growth of 5%, 4.9% and 4.8% in 2021, 2022 and 2023 respectively, with other assumptions unchanged;
- Scenario 3 - assumes an adverse exchange rate shock, with the Lari depreciating by 35% against other currencies in 2021, before making a small partial recovery, with all other assumptions unchanged;
- Scenario 4 - assumes an adverse interest rate shock, with interest rates increasing by 470 basis points (4.7% points) in 2021 and remaining at their higher level, with all other assumptions unchanged;
- Scenario 5 - provides a Combined Shock scenario and assumes adverse shocks to all three macroeconomic variables (GDP, exchange rate and interest rates), with the magnitude and timing of the shocks equal to the assumptions described in Scenarios 2 to 4 above; and
- Scenario 6 - assumes a more severe initial adverse shock to GDP than Scenario 2, with GDP declining by -5% and -2% in 2021-2022 respectively (compared with the base-case assumption of 5% and 4.9% growth in GDP), with the other assumptions unchanged.

The assumptions underlying Scenarios are based on the IMF's assumptions.

It should be noted that the economic assumptions underlying Scenarios 2 to 6 outlined above are not the IMF's forecasts of the most likely development of the Georgian economy over the coming years. Rather, the scenarios are depictions of what could happen, given Georgia's recent past, in the case of adverse shocks impacting on the economy. The purpose of the scenarios is to examine what would be the impact on the Georgian SOEs and their shareholder, the government.

The quantitative economic assumptions for the Georgian economy are provided in Table 1 below:

Table 1. Base Case Scenario

Base Case Scenario Assumptions	2020	2021	2022	2023	2024
Real GDP growth rate	-4.9%	5.0%	4.9%	4.8%	5.4%
Exchange Rate GEL/USD	3.29	3.29	3.29	3.29	3.29
Interest Rates					
Interest rate on GEL borrowings	8.2%	8.2%	7.8%	7.7%	7.7%
Interest rate on foreign currency borrowings (average)	2.1%	2.1%	1.8%	1.6%	1.6%

In the base case scenarios, as indicated by the figures in Table 1 above, the Georgian economy is projected to grow by around 5% p.a. over the next four years, with the exchange rate and interest rates fluctuating somewhat but remaining relatively stable around their current levels.

The economic assumptions underlying the alternative scenarios (Scenarios 2 to 6) as described above are provided in Table 2 below:

Table 2. Alternative Scenarios

DSA Assumptions	2020	2021	2022	2023	2024
Scenario 2: Real GDP growth rate	-5.7%	2.0%	2.0%	3.3%	5.7%
Scenario 3: Exchange Rate GEL/USD	3.29	4.44	4.39	4.38	4.37
Scenario 4: Interest Rates					
Interest rate on GEL borrowings (Floating)	12.9%	12.9%	12.5%	12.4%	12.4%
Interest rate on foreign currency borrowings (Floating)	6.8%	6.8%	6.5%	6.3%	6.3%
(Average)					
Scenario 5: Combined GDP, Exchange rate and Interest rate shock					
Stress Test Assumptions					
Scenario 6: Real GDP growth rate	-8.0%	-5.0%	-2.0%	4.8%	5.4%

The financial-risk analysis is based on a medium-term (5 year) model using annual figures. As such, the analysis does not attempt or purport to capture all the financial risks facing the seven SOEs. For example, the model does not capture the following risks, even though these risks could be significant for several or all of the SOEs:

- Credit risks arising from late or defaulted payments by the SOEs' customers;
- Sector-specific risks such as changes in gas or electricity commodity prices or volumes that Engurhesi, GOGC and GSE in particular are exposed to;
- Market-share risks, as competitors increase their market share, for example through alternative forms of transport taking volumes away from Georgia Rail and MK Rail;
- Construction and project-management risks which can be a major source of financial risk for some of the SOEs like SCC, UWS and MK Rail.

As with any model, the model is only as good as the core data and assumptions underlying it. No audit of the underlying data provided by the SOEs has been undertaken by the IMF.

Results of the analysis

Base Case Scenario Projections

Before presenting the results of the scenario analysis, Table 3 below provides the base-case financial projections for the seven SOEs combined. As the table indicates:

- The projected net profit after taxes for 2020 is -161 million GEL. The projected net profit will increase by 2021 and in the following period will continue to grow with a small decrease by 2023;
- The ROE of the SOEs in 2020 is expected to be around -19%. The ROA of the SOEs ranges from 4% to 7% between 2020-2024.

- The debt to total assets ratio for the SOEs as a group is high, 91% in 2020. There is considerable variation in this ratio across the SOEs (with GOGC being around 44%, Engurhesi – 58%, GSE and MK Rail, being over 100%). The typically high level of debt to assets means the SOEs have little ability to withstand adverse economic shocks

Table 3. Key Financial Indicators – Base Case Scenario

Base Case	2020	2021	2022	2023	2024
NPAT (GEL Million)	-161	241	371	358	415
Net Worth (GEL Million)	834	1,331	2,053	2,717	3,427
Return on Equity (ROE) (%)	-19%	18%	18%	13%	12%
Return on Assets (ROA) (%)	4%	6%	7%	6%	7%
Debt to Total Assets (D/(D+E)) (%)	91%	83%	77%	71%	66%
Interest Coverage	0.7	2.1	2.6	2.5	2.8
Current Ratio (CR)	2.1	1.6	1.2	0.8	0.5
Quick Ratio (QR)	1.9	1.4	1.1	0.6	0.4

The impact of the different economic shocks on the above base-case financial projections for the six SOEs is presented below. The discussion focuses on the impact of the economic shocks on three key financial ratios for the SOEs:

- Aggregate net profit after tax (NPAT);
- The combined net worth of the SOEs; and
- The debt-to-total assets ratio for the seven SOEs as a group.

Further details on the impact of the different economic shocks on additional financial metrics for the SOEs as a group and for each individual SOE are provided in the appendix.

Low Growth Scenario

Low economic growth envisages GDP growth of 2% for 2021-2022, and for 2023-2024 - 3.3% and 5.7%, respectively. Other assumptions of the baseline scenario remain unchanged.

The results of the lower economic growth assumptions on the three key financial metrics noted above for the seven SOEs combined is provided in Figures 1 to 3 below. The impact is material but nowhere near as large as the impact of an exchange rate shock as discussed in the next scenario.

Figure 1. Decline in net profit after tax of SOEs in low economic growth scenario

Lower economic growth reduces the SOEs' projected net profit after tax (NPAT) by around 25 to 30 million GEL in this scenario.

NPAT is projected to recover in 2024.

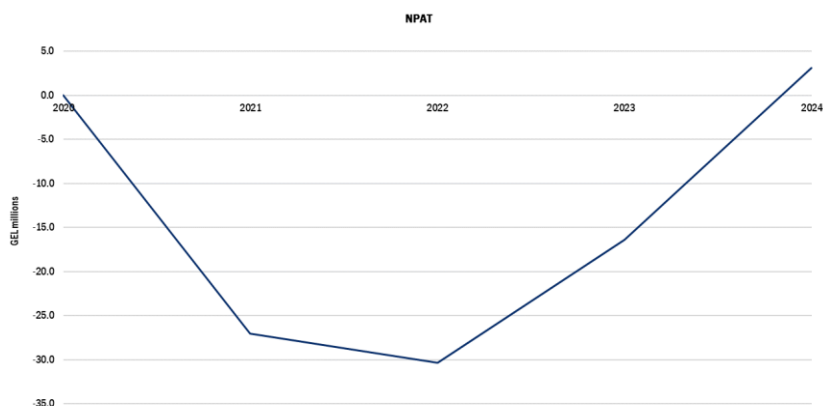


Figure 2. Decline in net worth of the SOEs in low economic growth scenario

The net worth of the SOEs declines by around 20 million GEL in 2021 under the lower economic growth scenario.

Losses due to net worth will decrease further in the coming years.

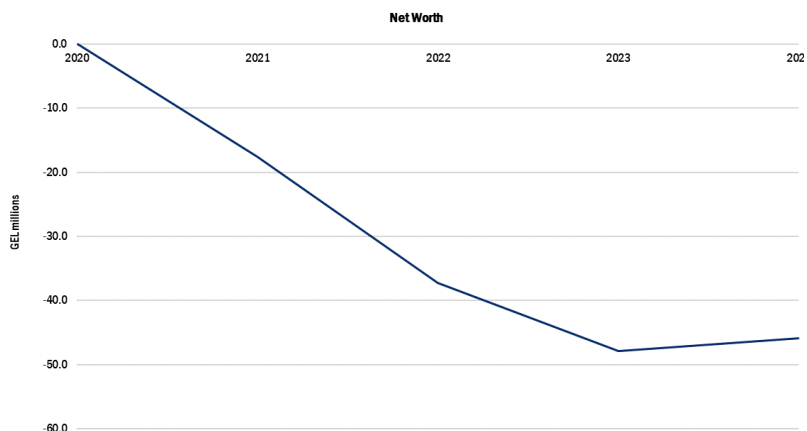
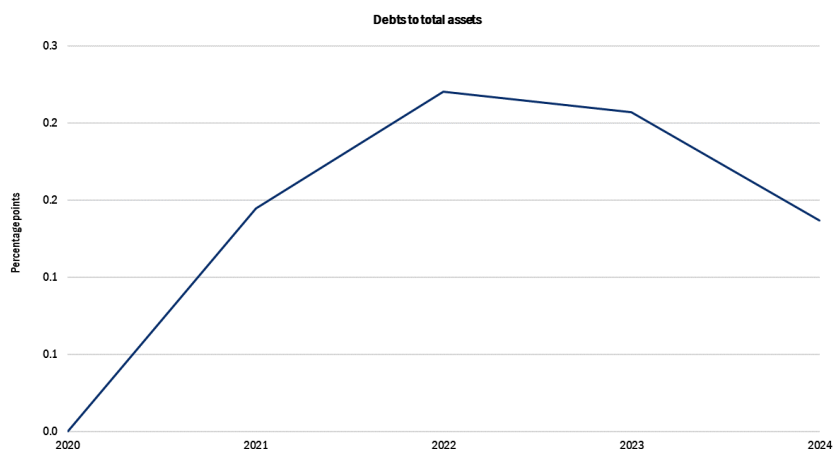


Figure 3. Increase in debt to total assets of the SOEs in low economic growth scenario

The ratio of debt to total assets for the SOEs is slightly increasing in the lower economic growth scenario.



Exchange Rate Shock Scenario

In the exchange rate shock scenario, the Georgian Lari is assumed to depreciate by 35% against other currencies in 2021.

The results of the exchange rate shock on the financial performance and financial position of the SOEs is very significant, as indicated by Figures 4 to 6 below. The impact is so large because the SOEs have around 7,200 million Lari in debt, with almost all the debt denominated in foreign currencies (mainly USD and Euro). When the Lari depreciates the costs of servicing this debt increases proportionately.

The effects of the exchange rate depreciation is dampened somewhat because some of the SOEs (eg, GOGC) receive revenue in foreign currency terms.

Figure 4. Decline in net profit after tax of SOEs in exchange rate shock scenario

The exchange rate shock has a major impact on the SOEs’ projected net profit after tax (NPAT). NPAT is projected to decline by around 2,300 million GEL. This is a huge impact and arises from the SOEs’ large holdings of foreign currency denominated debt. The reduction in NPAT of the six SOEs is equivalent to 5% of GDP.

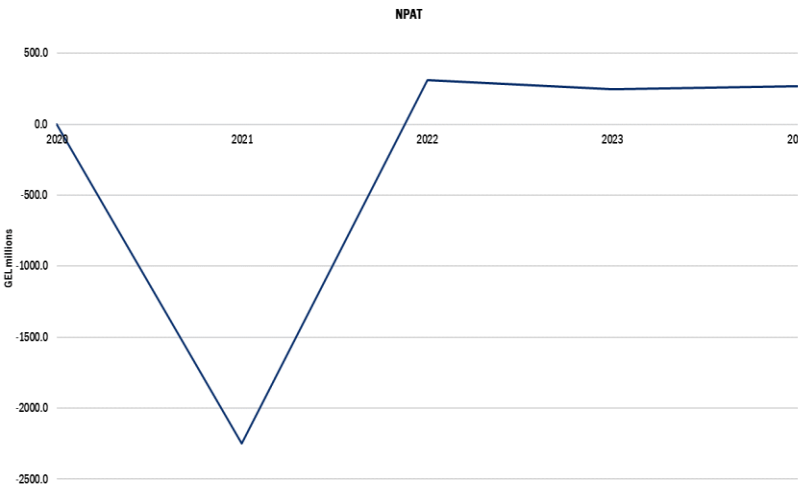


Figure 5. Decline in net worth of the SOEs in exchange rate shock scenario

The exchange rate shock results in the net worth of the SOEs declining by a similar amount as the decline in NPAT, i.e. around 2,200 million GEL.

Most of the decline in net worth is permanent. A partial recovery in net worth occurs as the GEL is assumed to recover somewhat against other currencies after the initial shock.

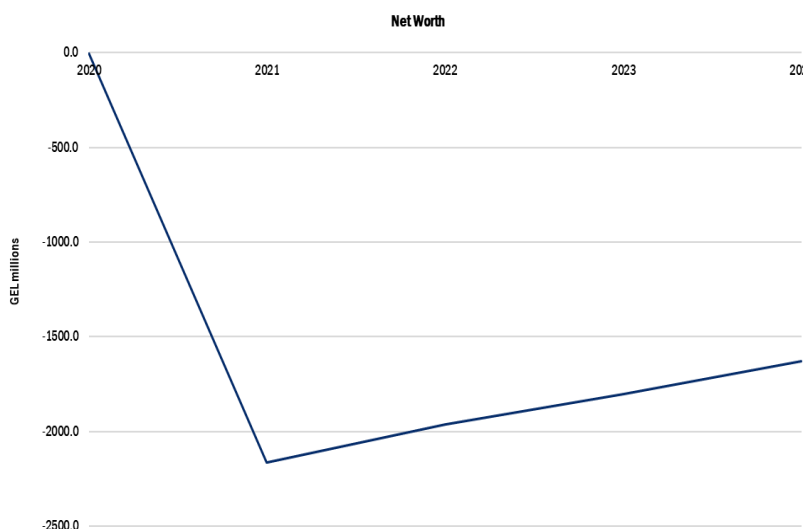
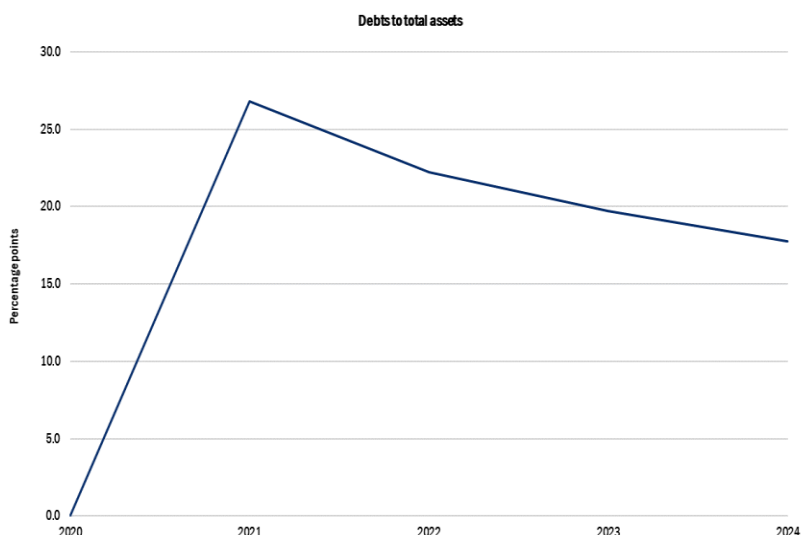


Figure 6. Increase in debt to total assets of the SOEs in exchange rate shock scenario

The ratio of debt to total assets of the SOEs combined increases by over 25% percentage points in the exchange rate shock scenario. In the base case, the average debt to total assets ratio for the SOEs is 91% in 2020 (83% in 2021). The lower economic growth results in debt to total assets increasing above 100%.



Interest Rate Shock Scenario
In the interest rate shock scenario, interest rates are assumed to increase by 4.7% points in 2021 and remain at their higher level, with all other assumptions unchanged from the base case.

The results of the interest rate shock on the financial metrics for the SOEs is presented in Figures 7 to 9 below. The impact is material but nowhere near as significant as the impact of the exchange rate shock. The impact of higher interest rates is dampened by many of the SOEs having large parts of their debt portfolio at fixed interest rates which are sheltered from the increase in interest rates for the term over which the rates are fixed.

Figure 7. Decline in net profit after tax of SOEs in interest rate shock scenario

The increase in interest rates reduces the SOEs' projected net profit after tax (NPAT) by 60 million GEL.

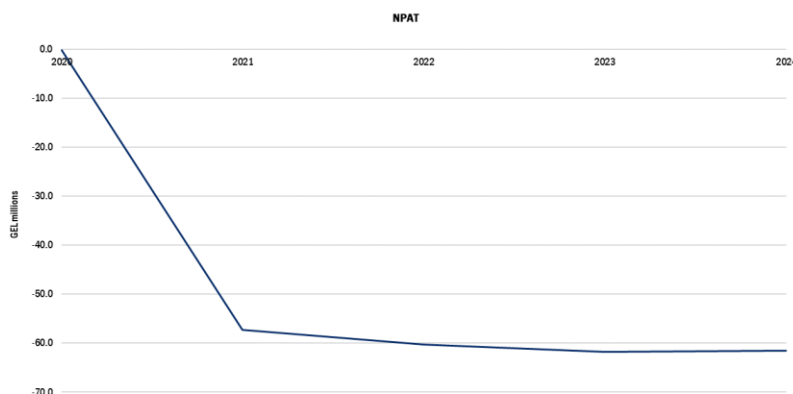


Figure 8. Decline in net worth of the SOEs in interest rate shock scenario

*The net worth of the SOEs declines by around 160 million GEL under the higher interest rate scenario.
The loss of net worth is permanent.*

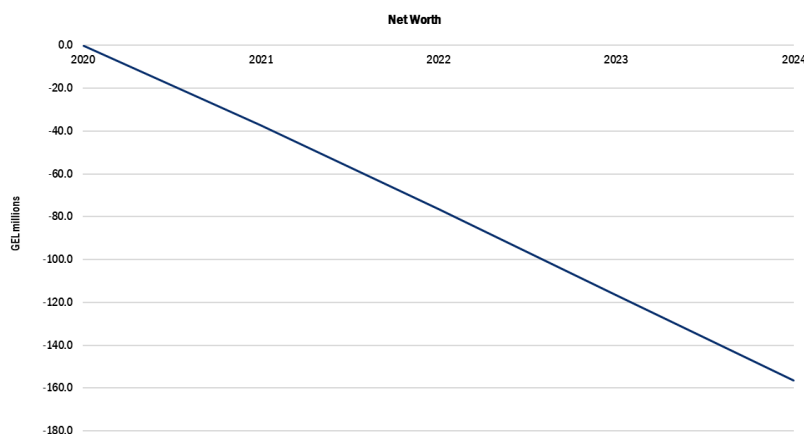
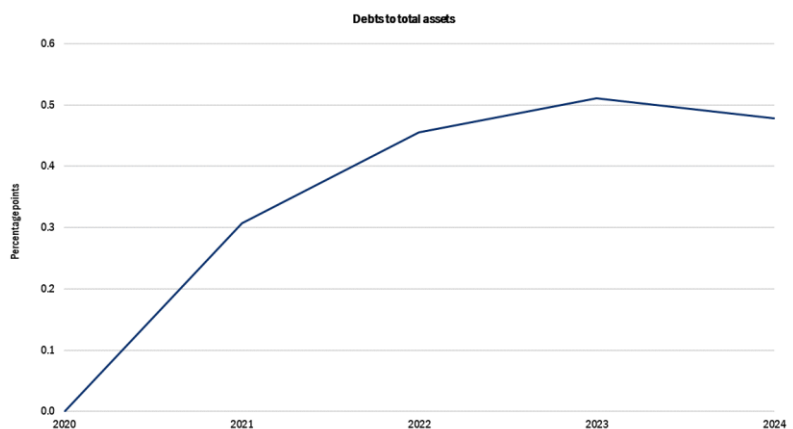


Figure 9. Increase in debt to total assets of the SOEs in interest rate shock scenario

There is only a very small increase in the ratio of debt to total assets of the SOEs in the interest rate shock scenario.



CombinedShockScenario

In the Combined Shock scenario, there are assumed to be adverse shocks to all three macroeconomic variables (GDP, exchange rate and interest rates), with the magnitude and timing of the shocks as described in the scenarios above.

The results of the combined economic shocks on the financial performance and financial position of the SOEs is very significant, largely because of the exchange rate effect noted above. The magnitude of the impacts is presented in Figures 10 to 12 below.

Figure 10. Decline in net profit after tax of SOEs in combined shock scenario

The combination of lower economic growth, a lower exchange rate and higher interest rates has a major impact on the SOEs’ net profit. NPAT is projected to decline by around 2,300 million GEL in the combined shock scenario. This decline is equivalent to 5% of GDP.

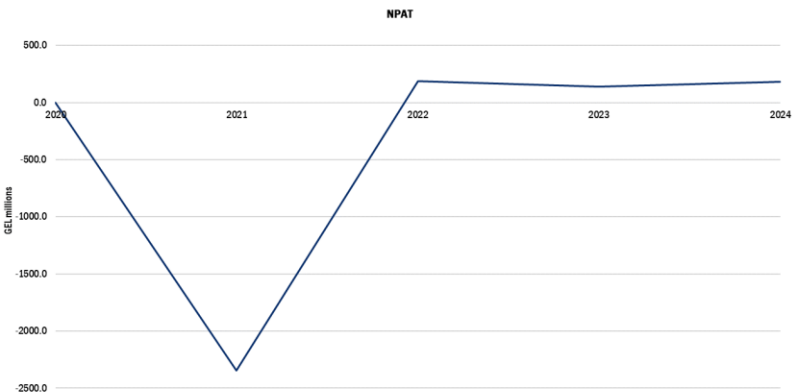


Figure 11. Decline in net worth of the SOES in combined shock scenario

The net worth of the SOEs declines by around 2 300 million GEL in the combined shock scenario. This huge loss of net worth is partially recovered in the subsequent years as the Lari is assumed to gradually appreciate.

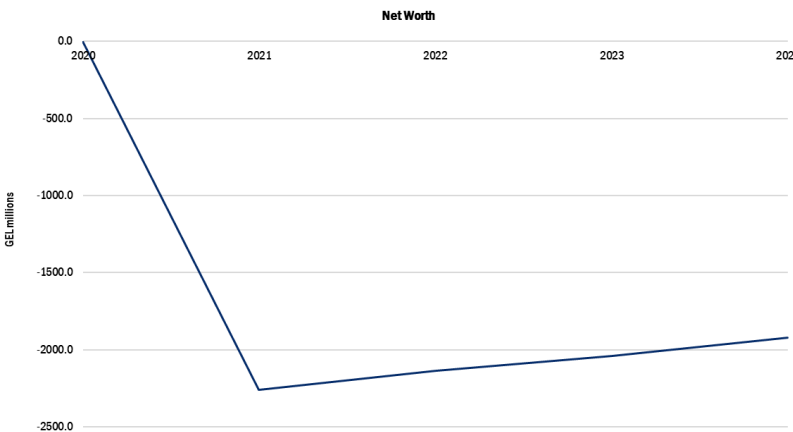
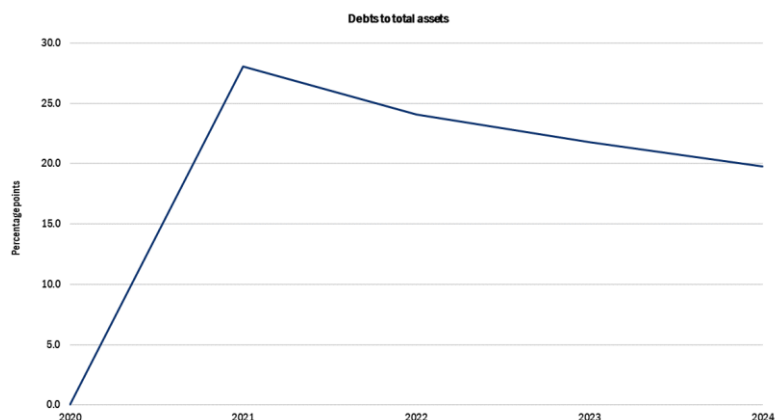


Figure 12. Increase in debt to total assets of the SOES in combined shock scenario

The ratio of debt to total assets of the SOEs combined increases by approximately 30 percentage points in the combined shock scenario.

In the base case, the average debt to total assets ratio is 91% in 2020 (83% in 2021). The combined economic shocks result in debt to total assets increasing above 100%.



Major Economic Downturn Scenario

Finally, in the last scenario we consider the impacts of a severe adverse shock to the economy, with GDP declining by -5% and -2% in 2021-2022. GDP is then assumed to recover strongly over the subsequent two years.

Figure 13. Decline in net profit after tax of SOEs in major economic downturn scenario

The major economic growth shock reduces the SOEs' projected net profit after tax (NPAT) by around 90 million GEL.

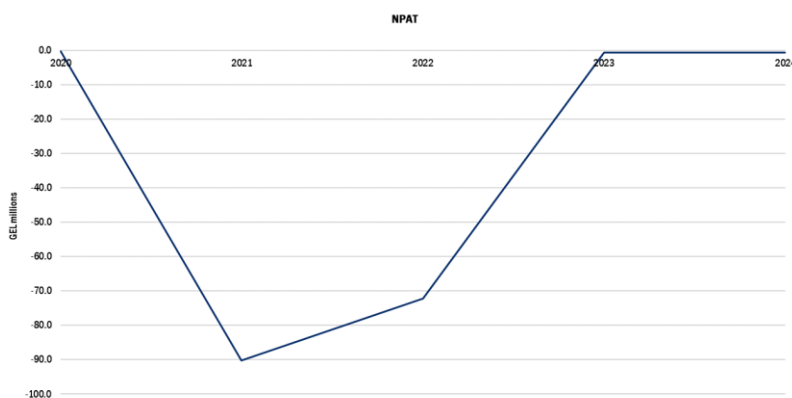


Figure 14. Decline in net worth of the SOES in major economic downturn scenario

The net worth of the SOEs declines by around 110 million GEL under the major economic growth shock scenario

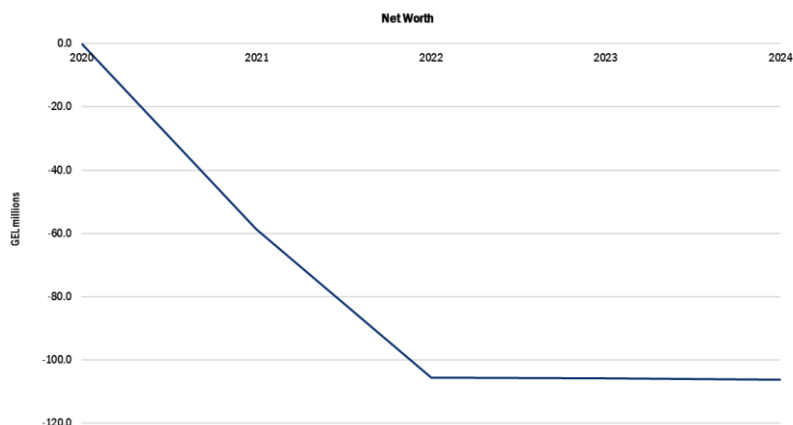
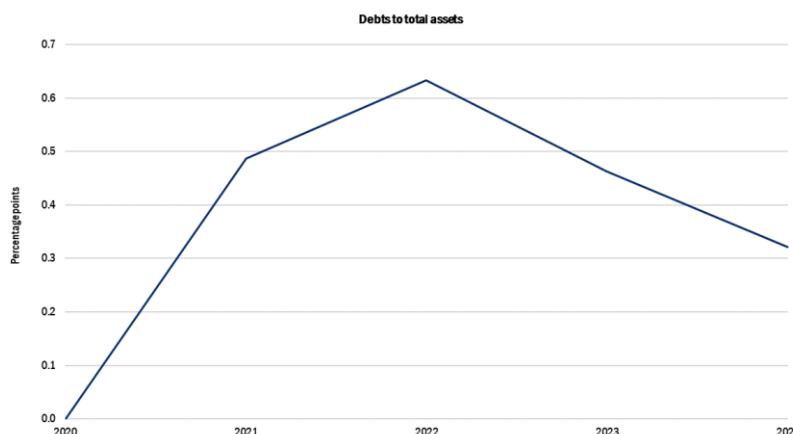


Figure 15. Increase in debt to total assets of the SOES in major economic downturn scenario

The economic shock has only a small effect on the ratio of debt to total assets of the SOEs



Conclusions

While the SOEs project this situation to improve over the next five years, their high levels of debt to total assets (at over 78% on average) means they are highly exposed to adverse economic shocks. That most of their current 7,200 million GEL of debt is denominated in foreign currencies means the SOEs and their owner, the government) is highly exposed to a depreciation in the exchange rate.

The analysis presented in this report highlights that this foreign exchange risk is by far the main macroeconomic risk the SOEs as a group face. The analysis in this report indicates that the impact of a major foreign exchange shock on the major SOEs is huge. The adverse impact on their combined NPAT and net worth and debt is over 2,300 million GEL and the companies' average debt to total asset increases by over 25 percentage points. The impact on NPAT is equal to around 5% of Georgia's GDP.

As a result of the above mentioned, in case of the realisation of foreign exchange risk, in addition to the planned budget injections, the gross financing need of SOEs from government will be 2,300 mln Gel, that will be additional financial burden on the state budget.

The analysis indicates that the SOEs are much less exposed to a downturn in the economy or higher interest rates. However, the impact of higher interest rates is still material. Further, any major economic downturn or sharp increase in interest rates is likely to be accompanied by a decline in the exchange rate, with the resulting large negative effects as shown in this report.

SOE Reform

State owned enterprises (SOEs) in Georgia have a potential to play a leading role in the development of certain sectors of the economy and in the protection of strategic interests of the state.

On the other hand, SOEs are one of the largest sources of fiscal risks in the country. It may be manifested in the increase of capital injections made by the central/local government due to the unhealthy financial condition of SOEs and ultimately by the risk of accumulated losses transitioning into the government debt.

Share of dividends paid in recent years by SOEs to the State Budget are insignificant and thus not considered in the projected revenues. This fact may be deemed as a materialized fiscal risk. At the same time, potential of a significant increase in dividends to be paid by SOEs to the State Budget exists indeed.

Thus, reform of the SOE sector is most important.

What results should be expected from the reform?

Before we consider the main components of the SOE reform, it is important to have an opinion on the expected results of the initiative.

In line with a study carried out by the International Monetary Fund (IMF)⁸ that covers 109 countries, ROE of SOEs is on average 1%, while ROE of the enterprises operating in the private sector - 8%. Reforms to be implemented in the SOE sector may result in their ROE to equal almost over 90 percent of the private sector indicator.

On the grounds of the above described data, we may assume that SOEs in Georgia have a potential to turn their negative ROE into a positive and increase it to 5-10%, which means on average 300-500 million GEL a year on average in total net profits of SOEs.

SOE Reform Concept

Country reached significant success in the identification, analysis and reporting of fiscal risks stemming from SOEs. Effective management and avoidance of fiscal risks requires a comprehensive reform. The Ministry of Finance of Georgia (MOF) already started work towards this end. MOF is cooperating with the IMF and other partner organizations in this process.

SOE management is currently led by line policy-making institutions in the country, though the State does not act as a shareholder in either case, which would be predominantly aimed at maximizing the enterprise profits. In the conditions when no one performs the functions of a shareholder, we end up with ineffective decisions, which has already manifested itself in the financial results of SOEs. Ownership of enterprises

⁸ <https://www.imf.org/~media/Files/Publications/fiscal-monitor/2020/April/English/ch3.ashx?la=en>

in the respective sectors by line ministries is regarded as a bad practice due to the conflict of interest at various levels. For instance, ownership of SOEs in the energy sector by the Ministry of Sustainable Development and Economy of Georgia distorts the principles of competitive neutrality.

Essence of the reform is to turn the State into a regulator/shareholder. We believe that lack of this role is the main reason of inefficiency in SOEs. Creation of this function will form a balance, which will ensure the effective management of SOEs. Reform is based on 5 pillars as follows:

- **SOE Commercialisation:**
 - Prime goal of the SOEs will be defined to be a profit-orientation;
 - Their engagement in social and unprofitable projects will be restricted, except cases when it is fully and transparently compensated.
- **Standards of Corporate Governance will be institutionalized in SOEs on the grounds of OECD principles**
 - Role of the state will be divided into a Shareholder and Supervisory Council of SOEs so that the latter operates in the best interests of the former;
 - Policy of employment and remuneration in SOEs will be regulated.
- **SOE Ownership policy and rationale will be defined**
 - Requirement of sustained state ownership of SOE(s) will be assessed in specific sectors;
 - Rationale of incomplete ownership of SOEs will be assessed, e.g. 50% instead of 100%.
- **State will start strategic management of SOEs;**
 - SOEs will be set targeted financial and non-financial key performance indicators (KPIs);
 - MOF will transition from the identification, analysis and reporting of fiscal risks to their management and avoidance;
 - KPIs will serve as a basis of sanctioning/motivation of the SOE Supervisory Councils.
- **Norms will be analysed and designed to ensure the competitive neutrality of SOEs;**
 - State ownership should not grant any type of advantage or disadvantage to an enterprise;
 - If a private company of the same profile turns out to be more effective than a respective SOE, State should not have leverages to restrict the revenues of such private operator on the market.

Experience of various countries indicates that a single central body performs the functions of a shareholder/regulator. In most countries (Australia, New Zealand, Sweden and others) such a body is the Ministry of Finance as being responsible for fiscal stability.

Current Practices of Corporate Governance in SOEs

State-owned enterprises are an important element of most economies, including many advanced economies. State-owned enterprises in Georgia are mainly operated in the transportation-logistics, utilities, energy and healthcare sectors. Thus, the existence of corporate governance practices of SOEs is important for maximizing their contribution to the country's financial stability and sustainable development. It should be noted that even when the government's policy is the privatisation process of SOEs, the existence of corporate governance practices remains an essential prerequisite for maximizing economic impact.

Corporate governance practices in state-owned enterprises have been assessed by MOF in accordance with the recommendations of the OECD guidelines on Corporate Governance for SOE. The assessment was carried out according to 7 main components of corporate governance:

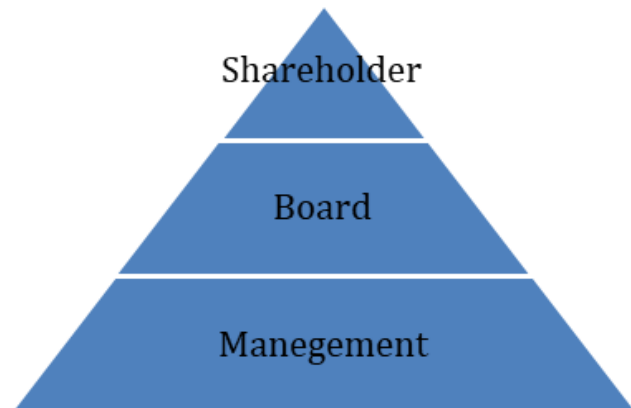
- I. Rationale for State Ownership;
- II. The State's role as an Owner;
- III. Competitive neutrality;
- IV. Equitable treatment of shareholders and other investors;
- V. Stakeholder relations and responsible business management;
- VI. Transparency and Accountability;
- VII. The responsibilities of the boards of state-owned enterprises.

Rationale For State Ownership

The state exercises the ownership of SOEs in the interest of the general public. It should carefully evaluate and disclose the objectives that justify state ownership and subject these to a recurrent review. The ultimate purpose of state ownership of enterprises should be to maximise value for society, through an efficient allocation of resources. In accordance with good practices, the government should develop an ownership policy. The policy should inter alia define the overall rationales for state ownership, the state's role in the governance of SOEs, how the state will implement its ownership policy, and the respective roles and responsibilities of those government offices involved in its implementation. Ownership policy should be public and subject to regular review by the government, including through public consultations. The state should define the rationales for owning individual SOEs and subject these to recurrent review.

Any public policy objectives that individual SOEs, or groups of SOEs, are required to achieve should be clearly mandated by the relevant authorities and disclosed.

The state has not developed a policy document yet that defines the rationale and priorities of the ownership policy, public service delivery or strategic goals (maintenance of some enterprises in state ownership), the vision and plans of the state regarding the privatization of state-owned enterprises.



The State's Role As An Owner

Clear separation of roles between the shareholder, supervisory council and management is essential for the effective operation of enterprises. As already noted, the State practically does not perform the function of a shareholder at present, which may be deemed as one of the reasons for SOE ineffectiveness. Lack of a shareholder role fully distorts the corporate governance at every level. According to the international standard, the state should act as an informed and active owner, should ensure the autonomy of the SOE, should respect independence of the board and avoid interfering in operational matters. (Should not get involved in the decision-making process at the operational level of the SOE). The prime responsibilities of the state as a shareholder are: Being represented at the general shareholders meetings and effectively exercise voting rights; Establishing well-structured, merit-based and transparent board nomination processes and actively participate in the nomination; Supporting the diversity of the board; Establishing a remuneration policy for SOE board members; Developing disclosure and transparency policy; Setting up reporting system with applicable corporate standards to monitor and assess board activity. The mentioned principles defined by international standards, are not followed in the reviewed SOEs.

Stakeholder relations and responsibly business management

There is no framework that will regulate the activities of SOEs, therefore, business responsibilities towards stakeholders are not defined and disclosed. It increases the risks of SOEs resources to be used for political or other inappropriate activities.

Transparency and Accountability

SOEs reporting standards are similar to private sector companies of the same size. In Georgia large SOEs auditing is done by the reputable audit companies therefore, there is no doubt about the quality of this issue. However, SOEs should be required to have a higher standard of transparency, which, in addition to financial reporting, should ensure the disclosure of other documentation related to the corporate governance of the enterprise:

- Information about SOE's goals and their achievement;
- SOE governance, ownership and other related documents - corporate governance code, other documents about policy implementation processes;
- Remuneration of board members and key executives;
- Board member qualifications, selection process;
- Essential risks and measures to avoid them;
- Any financial assistance, including guarantees, received from the state, liabilities arising from PPP contracts;
- Large Transactions;
- Any other information related to employees and other stakeholders;

This type of reporting should be done annually and should be disclosed.

Competitive neutrality

At this stage, there is no legislation that regulates the activities of state-owned enterprises, including competitive neutrality. Competitive neutrality breaking risks are in sectoral management conditions.

Equitable treatment of shareholders and other investors

Any ineffectiveness in this section is not proven. However, there is no mechanism that ensures that shareholders and other investors should be treated equitably in the future.

If SoEs have non-state investors among their owners, the state and the enterprises should recognize the rights of all shareholders and ensure shareholders's equitable treatment and equal access to corporate information in accordance with OECD guidelines. In most cases in Georgia, the state owns 100% of the shares, although there are exceptions.

For example, JSC Sakrusenergo, which provides power transmission through its own power lines to Georgia and neighboring countries such as Russia, Turkey, Azerbaijan and Armenia. 50% of this enterprise is owned by Georgia, and the Russian Federation owns the remaining 50%. The company has a charter, which describes the rights / responsibilities of shareholders. The enterprise also has a supervisory board that is composed of 6 members, 3 representatives from Georgia, 3 representatives - from Russia. Based on the above, we can assume that legally all shareholders are treated equitably.

The responsibilities of the boards of state-owned enterprises

In order to evaluate the selection procedures, assignment, composition, competencies and functions of the members of the Supervisory Board in state-owned enterprises we discussed several SoEs managed by the JSC Partnership Fund, the Ministry of Economy and Sustainable Development and the National Property Agency. Based on these SoEs we can generalise board practices to the sector as a whole.

We made an initial assessment based on the following questionnaire:

Independence / composition	
Are there independent members ⁹ in the Supervisory Board?	No
If the answer to the previous question is 'yes', do	N/A

⁹ Independent board members, where applicable, should be free of any material interests or relationships with the enterprise, its management, other major shareholders and the ownership entity that could jeopardise their exercise of objective judgement.

the independent members work in the same or another state-owned enterprise?	
Are there current or former political officials (Ministers, advisers and etc.) in the Supervisory Board?	Yes, In all cases
Competences	
Does the Supervisory Board have a member with at least 3 years experience in strategic planning and management?	No or only with experience in the public sector
Does the Supervisory Board have a member with at least 3 years experience in finance?	No
Does the Supervisory Board have a member with at least 3 years experience in the field where the SoE operates?	Yes
Does the Supervisory Board have a member with at least 3 years experience in a similar size (or larger) enterprise?	No
Does the Supervisory Board have a member with at least 3 years experience in financial management/analysis/auditing or relevant competences?	No
Involvement	
How many times does the Supervisory Board convene in a year?	2-3 times in a year on average, However, we can not say that the Supervisory Board is effective
Does the Supervisory Board carry out an assessment of its activities?	No, or formally
Selection	
Is there a definite rule for selecting a Supervisory Board member and is this rule taken into account?	There is no centralized, transparent procedure.
Is there an open competition to select a Supervisory board member?	No
Does the Supervisory Board Selection	No

Commission have an independent member?	
Is the information about appointed board members public?	At least the names of the Supervisory Board members are published on SoE's websites (In case of large SoEs). However, information about the selection process is not published.
Functions	
Do the functions of the Supervisory Board include the appointment / dismissal of a director, the determination of salary and other conditions?	These functions are legally defined. However, with high probability this is of a formal nature.
Do the functions of the Supervisory Board include the approval of the company's business strategy and overseeing its implementation?	These functions are legally defined. However, with high probability this is of a formal nature.
Committees	
Does a company have a remuneration committee?	No, or it is not effective. It is expected that JSC 'State Electrosystem' will be the first to have a remuneration committee.
If the answer to the previous question is 'yes', how many members are in a remuneration committee? Are there any independent members? Has the operating rules of the committee been approved?	N/A
Does a company have an audit committee?	Yes, JSC 'Georgian Railway' has.
If the answer to the previous question is 'yes', how many members are in a remuneration committee? Are there any independent members? Has the operating rules of the committee been approved?	N/A

- General Meeting of Partners represents the supreme governance body in companies, authority of which is performed by a line ministry. General Meeting of Partners is managed by a CEO of the company.
- Employee of a legal entity of public law is authorized to be appointed in the management of an enterprise subordinated to the management of such legal entity of public law;

- Partnership Fund JSC is a 100% owner of Georgian Oil and Gas Corporation and Georgian Railway. It also acted as a 100% owner of ESCO and GSE till 2020. Nevertheless, it does not practically act as a shareholder of the indicated SOEs and their management is performed by the Ministry of Sustainable Development and Economy of Georgia within its sectoral competence;
- Statutes of these SOEs or other founding documents, which have a Supervisory Council, clearly elaborates on its role and separates it from the management role and only in such cases it may be deemed that a sound framework of corporate governance exists.
- There are no centralized and transparent procedures for the selection of Board Members/Executive Directors. Remuneration policy does not exist either. Also, basic qualification requirements of board members and degree of their independence in the decision-making process are vague;
- SOEs do not have a transparent policy for salaries and wages, which creates a huge space for ineffectiveness. At the same time, in the conditions of a transparent policy, salaries paid in commercial state enterprises would be equalized to the private sector.

Listed examples clearly evidence a weakness or total lack of corporate governance system. Competitive neutrality is distorted in frequent cases and conflicts of interest are witnessed at various levels. Companies are vastly engaged in clear and discrete non-commercial activities.

On the other hand, positive changes are witnessed in the introduction of corporate governance practices in the SOE sector. GSE is at the reform stage at present. This process is supported by the Asian Development Bank (ADB). Following has been designed at the SOE already:

- Corporate Governance Code, which defines the role of entities engaged in the corporate governance of the SOE. It complies with OECD Principles of Corporate Governance;
- Statutes of various committees operating at the Supervisory Council;
- Risk Management Policy;
- Debt Management Strategy.

It may be said that GSE is a pilot project of the SOE reform. Hence, success achieved at the GSE will be a precondition of the overarching success in the SOE sector reform. Therefore, proper management of the current process carried out at the GSE is of critical importance.

United Water Supply Company is also at the reform stage. Considering the specific nature of this SOE, focus is made on the existing ineffectiveness within the operation. Similar to the GSE, reform is piloted here as well. As a side note, let us state that in the process of enterprise sectorization, GSE has been categorized as a Public Corporation, while the United Water Supply Company – to the Government Sector.

Conclusions

Corporate governance in the state-owned enterprise is fragmented or doesn't exist at all. Each component of corporate governance is interrelated and single weakness in one component affects entire system.

At the same time, considering severity of the problems, even small improvements in corporate governance should lead to an overall improvement in SOE outcomes. Consequently, the reform of state-owned enterprises is critically important.

There are already some positive signs in improving corporate governance practices in SOE sector. GSE is at the reform stage at present. This process is supported by the Asian Development Bank (ADB). Company has already designed:

- Corporate Governance Code, which defines the role of involved bodies engaged in the corporate governance of the SOE. It complies with OECD Principles of Corporate Governance;
- Charters of various committees operating at the Supervisory Council;
- Risk Management Policy;
- Debt Management Strategy.

GSE can be referred as a pilot company of the SOE reform. Hence, successful reformation of GSE will be a precondition of the overarching success in the SOE sector reform. Consequently, proper management of the ongoing process carried out at the GSE is critically important.

United Water Supply Company is also at the reform stage. Considering the specific nature of this SOE, focus is made on the existing inefficiencies at operating level. Similar to the GSE, reform is piloted here as well. In the process of SOE sectorization, GSE has been classified as a Public Corporation, while the United Water Supply Company was referred to General Government Sector.

General Overview of Power Energy Sector

In Georgia enterprises operating in the energy sector are characterized by special complexity and require additional functional analysis.

Power energy sector of Georgia is composed of various parts of the market:

- Producers;
- Consumers;
- Distributors;

- Importers;
- Exporters;
- Regulator;
- Other Stakeholders.

Their functions, status and authority are defined in the legislation of Georgia. Operation of the energy sector consists of the following key directions:

- Power generation;
- Transmission;
- Dispatch;
- Distribution (distribution/supply).

Currently existing power energy market model of Georgia may be defined as a market of direct contracting, whereby its participants deliver their duties on the grounds of monthly settlements. Along with a market of direct contracting, country has a balancing market that enables the power energy market participants to buy/sell additional demanded/generated power energy and thus balance their obligations assumed under the direct contracts. In addition, market of guaranteed capacity operates on the power energy market, which helps the transmission system operator in ensuring the sustainability and reliability¹⁰ of the power energy market.

Power energy market of Georgia may be tentatively divided into wholesale and retail markets. Subjects of the wholesale market are:

- Power energy generators;
- Direct consumers¹¹;
- Exporters;
- Importers;
- Wholesale suppliers¹²;

¹⁰ Source: Report published by the Georgian National Energy and Water Supply Regulation Commission in 2019, pp.16

¹¹ Status of a direct consumer was precision defined in 2019 with an aim of facilitating the process of opening the power energy market. Consumer, which gets power energy (capacity) for its own needs from a grid of an enterprise or transmission licensee, small capacity power plant or other consumer has been deemed as a direct consumer if monthly consumes no less than 5 million kilowatts of power energy on average in total from the supply points in the referred grid(s) by the results of a calendar year. Such consumer is mandated to get registered as a direct consumer under such status. Any other consumer may become a direct consumer if meets requirements defined in the Rules of Power Energy (Capacity) Market and if voluntarily registered as a participant of a wholesale trading bearing a status of a direct power energy consumer.

¹² Wholesale suppliers trade with power energy at the power energy market, which buy power energy from production licensees, small capacity power plants and sell such power energy to direct consumers and exporters.

- Distribution licensees (in the supply part)¹³

Also, service suppliers:

- Transmission system operator
- Market operator¹⁴
- Transmission and distribution licensees (right of way – in the segment of network services).

Trading at the wholesale market is predominantly performed through direct contracting. Sale of power energy is performed by power energy producers, importers and ESCO, while buying – by power energy distribution licensees (in the supply part), direct consumers, exporters, power energy generators (for plant expenses), ESCO and dispatch licensee (in the part of power energy acquisition for the transit loss recovery). Subject needs to be registered as a qualified enterprise with a market operator to trade at the wholesale market.^{15 16}

Network and system services at the wholesale market are carried out by the system operator (GSO), transmission and distribution licensees. GSO (dispatch licensee) has agreements with owners of the transmission grid assets (transmission licensees) on the acquisition of an authority to operate and development planning of the transmission lines. GSO predominantly manages the system by using the SCADA system (supervision control and data collection tool) and thereby uses a high level automated system for power energy and capacity control and recording (high level ESKAA system).¹⁷

Distribution licensees carry out the network services, including the transit by using their own and third party owned networks. Cost of transit through a distribution network are compensated to the distribution licensees with Distribution and Transit Tariffs set by the Regulation Commission, while the third parties are getting compensation from distribution licensees if their networks are used in the process in accordance with values computed under the Rules of Transit Fees Calculation for Power Energy, Natural Gas and Drinking Water Under Networks Owned by Third Parties.¹⁸

Main subjects of service provision at the retail market are the power energy distribution licensees (both in the part of network services and supply), who sell the power energy with tariffs set by the Georgian National Energy and Water Supply Regulation Commission (hereinafter the GNERC). They also deliver the

¹³ Telasi JSC and Energy-Pro Georgia JSC.

¹⁴ Commercial Operator of a Power Energy System (ESCO) JSC.

¹⁵ Source: GNERC Report for 2018; pp. 15, 19, 20.

¹⁶ Qualified enterprises are: production licensee, distribution licensee, direct consumer, exporter and importer, small capacity power plant.

¹⁷ Source: GNERC Report for 2019; pp. 22

¹⁸ Source: GNERC Report for 2019; pp. 22

network and system services to retail consumers. Small capacity power plants may also supply power energy at the retail market, though their actual participation is small at the retail market as monopoly of distribution companies still exists in the segment of retail supply, which creates a certain barrier in the participation of small capacity power plants in the retail market.¹⁹

According to the 2018 Performance Report published by GNERC, retail power energy market of the country is highly concentrated ($HHI = 5,544.5$)²⁰, whereby the largest market share (66.5%) is held by Energo-Pro Georgia JSC²¹. As for the wholesale market, there were 91 power energy generators registered at the wholesale market according to the 2018 data, out of which 5 were thermal power plants²², 2 regulators²³, 9 partially deregulated²⁴, 14 deregulated (hydro)²⁵ and 61 small capacity (deregulated) power stations^{26,27}.

Market shares were distributed between three largest power generators in 2018 as follows: LLC Enguri HPP - 33.43%; LLC Vartsikhe HPP - 9.96% and LLC Gardabani TPP - 9.76%. Thus, HHI in the power generation segment reached 1.596 in 2018. Hence, power generation segment may be deemed as a concentrated market.²⁸

Situation is not substantially changed according to the GNERC Performance Report for 2019, which indicates that power distribution (supply) market is highly concentrated ($HHI_{2019}=5,338$), whereby JSC Energo-Pro Georgia has a market share of 63%, while JSC Telasi – 37%; market shares were distributed among the three largest power energy generators in the following manner: LLC Enguri HPP – 28.5%, LLC Gardabani TPP – 11.3% and LLC Mtkvari Energy – 7.3%. Thus HHI in the power energy generation segment reached 1.516 in 2019.²⁹ Hence, generation segment may be deemed as a concentrated market.

¹⁹ Source: GNERC Report for 2019; pp. 22

²⁰ Herfindahl–Hirschman Index (HHI) is calculated to assess the level of competition at a specific market. HHI is calculated as the sum of squares of market shares of market players. HHI may have a value ranging between 0-10.000, whereby 0 means a low concentration at the market (comprehensive competition), while 10.000 – comprehensive monopoly. In line with a clarification made by the EU, if HHI exceeds 1.000, market is concentrated, while if its value exceeds 2.000 – market is highly concentrated.

²¹ Source: GNERC Report for 2018; pp. 33

²² TPPs: Gardabani 9th Power Block; Air Turbine; Blocks 3 and 4 of Tbilisi District Power Plant, Gardabani TPP, Tkibuli TPP.

²³ Regulating power plants: Enguri HPP and Vardnili HPP.

²⁴ Partially deregulated power plants: Khrami 1, Khrami 2, Shaori, Dzevruli, Zhinvali, Vartsikhe, Gumati, Rioni and Lajanuri HPP.

²⁵ Deregulated (over 13 megawatts of design capacity) power plants with licences of power generation: Ortachala HPP, Satskhenhesi HPP, Zahesi HPP, Chitakhevi HPP, Khadori HPP, Atshesi HPP, Larsi HPP, Paravani HPP, Dariali HPP, Khelvachauri 1 HPP, Shuakhevi HPP, Kirnati HPP and Old Energy HPP.

²⁶ Small capacity power plants (less than 13 megawatts of design power plants) without licences of power generation: 61 HPPs in total.

²⁷ Source: GNERC Report for 2018; pp. 36

²⁸ Source: GNERC Report for 2018; pp. 36

²⁹ Source: GNERC Report for 2019; pp. 9

According to the 2019 data, 95 power energy generators were registered at the wholesale market, out of which: 5 were TPPs³⁰, 2 regulators³¹, 9 partially deregulated³², 15 deregulated (hydro)³³, 64 small capacity (deregulated) power plants^{34,35}.

Power energy generators are divided into various categories from the standpoint of their regulation and are grouped as follows³⁶:

- Regulating HPPs;
- Partially deregulated HPPs;
- Deregulated HPPs;
- Sources of guaranteed capacity (TPPs).³⁷

As for the import and export of power energy, it is deregulated and does not require licensing. Power energy may be exported with a regulation-free (without a tariff definition by GNERC) price, while import of power energy is subject to a tariff defined by GNERC³⁸.

Ultimate consumption segment of the retail market is represented by household and non-household categories. Since 2016 retail consumer has been added to these categories, who owns the micro-capacity (upto 100 kilowatts) power plants operating with a renewable source of energy.³⁹

GNERC performs the role of a regulator in the power energy sector, which is a legal entity of public law with a special authority defined in the Law of Georgia on National Regulation Bodies. GNERC has no state

³⁰ TPPs: Gardabani 9th Power Block, Air Turbine, Tbilisi District Power Plant Blocks 3 and 4, Gardabani TPP.

³¹ Regulating Power Plants: Enguri HPP, Vardnili HPP.

³² Partially Deregulated Power Plants: Khrami 1, Khrami 2, Shaori, Dzevrulei, Zhinvali, Vartsikhe, Gumati, Rioni and Lajanuri HPP.

³³ Deregulated (over 13 megawatts of design capacity) power plants with power generation licences: Ortachala HPP, Satskhenhesi, Zahesi, Chitakhevhesi, Khadori JPP, Atskhesi, Larsi HPP, Paravani HPP, Dariali HPP, Khelvachauri 1 HPP, Shuakhevi HPP, Kornati HPP, Old Energy HPP, Mstia Chala HPP 1 and Mestia Chala HPP 2.

³⁴ Small Capacity Power Plants (less than 13 megawatts of design capacity without power generation licences: 64 HPPs in total.

³⁵ Source: GNERC Report for 2019; pp. 35

³⁶ Regulating power plants operate on the market with power generation licences granted by the GNERC and fixed tariffs set by GNERC; *Partially Regulated Power Plants* with over 40 megawatts of established capacity, which operate on the market with licences granted by GNERC and threshold tariffs (ceilings) set by the GNERC;

Deregulated power plants, established capacity of which exceeds 13 megawatts and are built after August 1, 2008, operate on the market with power generation licences granted by GNERC, though GNERC does not set tariffs to them. Also, category of deregulated power plants comprises small capacity power plants, design capacity of which is upto 13 megawatts. Such power plants operate on the market without tariffs set by the GNERC and are liberated from the licence of power generation;

Sources of guaranteed capacity (TPPs), to which GNERC sets a guaranteed capacity price and threshold tariffs (ceilings) of power generation. Such power plants are used for the sustainable, safe and reliable operation of the overall power energy system that are defined by the Government of Georgia individually by the guaranteed capacity and timeframe for the provision of guaranteed capacity to the system.

³⁷ Source: GNERC Report for 2019; pp. 21

³⁸ Source: GNERC Report for 2018, pp. 20

³⁹ Source: GNERC Report for 2019; pp. 22

control agency to oversee its performance and it is independent in its operation, being solely accountable towards the legislation of Georgia. Main duties of GNERC are as follows:

- Design and define the rules, along with terms and conditions of power generation, transmission, dispatch and distribution licencing; licencing; amendments to licences; voiding of licences under the rules defined in the legislation of Georgia;
- Tariff-setting and regulation of power energy generation, transmission, dispatch, distribution, transit, import, service delivery to market operators; also, guaranteed capacity price and guaranteed capacity source power energy generation;
- Monitoring of power energy markets⁴⁰.

Preconditions for the Establishment of a New Structure on the Power Energy Market and Target Structure of Power Energy Market Complying with a Concept of Power Energy Market Model

Power energy sector is one of the important factors for economic development of the country. With mostly liberal, but regulated market standards, power energy sector of Georgia is transitioning to the phase of free trade and further deregulation. Compliance with the commitments assumed towards the EU and European Energy Community serve as a basis and precondition for the establishment of a new structure at the power energy market of Georgia; eradication of faults and gaps characteristic to the existing market structure is another reason.

EU-Georgia Association Agreement (AA) concluded in 2014 envisage the country's commitment to get the national legislation approximated to the EU Directives and Regulations of the European Energy Community (EEC). This commitment should be met by Georgia in the timeframe agreed in the Protocol of Accession to the EEC Founding Agreement.

On April 2017 Parliament of Georgia ratified the Protocol on the Accession to the EEC Founding Agreement signed on October 14, 2016 and country thus became a fully-fledged member of the energy community. Protocol also defines a timeframe for the implementation of EEC Regulations by Georgia. Accession of the country to the EEC enables Georgia to create its energy sector in compliance with the EU standards, advance its competition on the market and progress with its energy security, improve the investment climate and facilitate the development of renewable sources of energy and energy efficiency.⁴¹

⁴⁰ GNERC Resolution N6 issued on March 6, 2014.

⁴¹ Source: GNERC Report for 2019; pp. 23

With an aim of transitioning to a target structure of the market and adherence with international commitments of the country, significant changes have been made in late 2019 to the legislation of Georgia regulating energy in the country and namely the Parliament of Georgia adopted the following:

- Law of Georgia on Energy and Water Supply;
- Law of Georgia on Renewable Sources of Energy Generation and Facilitate of its Application.⁴²

Government Decree N246 dated April 16, 2020 approves the Concept Paper for the Power Energy Market Model, while the Parliament of Georgia passed a Law on Energy Efficiency in May 2020.

The referred primary legislation and predominantly the Law of Georgia on Energy and Water Supply, covers the whole process of reform in the sector, including the following:

- Overall legal framework for the operation and trading in the power energy sector with an aim of creating a transparent and competitive power energy market and its facilitated development;
- Criteria and procedures, which are related to the following:
 - Authorisation of energy operation;
 - Public service-delivery;
 - Consumer rights and their protection.

Law of Georgia on Energy and Water Supply also streamlines the following issues:

- Management and organization of the power energy sector;
- Regulation, monitoring and supervision of the power energy sector;
- Free access to energy markets.

Law envisages the transposition of various EU Directives as committed by Georgia under the EU-Georgia Association Agreement and accession to the EEC Founding Agreement into the legislation of Georgia.⁴³

Concept Paper on the Power Energy Market Model complies with the Law of Georgia on Energy and Water Supply as it:

- Defines the future structure of the market;
- Envisages the transition to the target model of the market from 2021;
- Defines principles, which are aimed at the following:
 - Development of competition both at wholesale and retail level;

⁴² Law of Georgia on the Energy Generation from Renewable Sources and its Facilitated Application aims to create legal grounds for the facilitation, support and application of energy generated from renewable sources. It also defines legally binding national target indicators for the overall share of energy generated from renewable sources in the total ultimate consumption of energy, transport. Source: GNERC Report for 2019; pp. 17

⁴³ Source: GNERC Report for 2019; pp. 17

- Transition from the vertically integrated market⁴⁴ to such a structure, which legally, financially and functionally separates the transmission and distribution functions from supply, trade and production;
- Sustainability of power energy affordability and fight against the energy poverty, thereby defining principles for the social protection of vulnerable consumers⁴⁵;
- Establishment of organized power energy markets, which covers competitive power energy markets such as prior day, daily and balancing markets.
- Facilitated regional integration of Georgia envisaging the effective utilization of the trans-border trade potential between Georgia and neighbouring countries.

Actions required for the establishment and development of a prior day, daily and balancing markets as envisaged in the Concept Paper of the Energy Market strengthen the significance of the independent regulator, which carries out monitoring and interactions on the grounds of market transparency, sustainability and non-discrimination principles.⁴⁶

Guiding principles of the new model of the market are as follows:

- Competitive, free and transparent trading at energy markets;
- Avoidance of conflicts of interest and discrimination;
- Trading at the wholesale power energy market through competitive market mechanisms and namely with bilateral agreements and/or organized power energy markets, including the prior day, daily and balancing markets;
- Trading with power energy generated by public service-delivery energy enterprises and beneficiary generators of support mechanisms/schemes solely at the organized markets;
- Design and definition of hourly schedules of power generation and consumption, power energy generation/consumption means and their absorption by entities responsible for planning (self-dispatch);

⁴⁴ Vertically integrated enterprise: in the power energy sector – vertically integrated power energy enterprise – on the one hand an enterprise with at least one function of power energy transmission and/or distribution and at the same time, on the other hand an enterprise or a group of enterprises with at least one function of power energy generation and/or supply, which are entitled to directly or indirectly control the same entities. Law of Georgia on Power Energy and Water Supply, Article 3.H82

⁴⁵ Vulnerable consumer – household consumer, whose status or condition makes him eligible for concessional terms and conditions of power energy and/or natural gas and/or water supply under the system and on the grounds of a respective legislation of Georgia – Law of Georgia on Power Energy and Water Supply, Article 3.H83.

⁴⁶ Source: GNERC Report for 2019; pp/ 23-24

- Hourly trading at organized markets and respective responsibility of market participants for the disbalance cause by them in each hour;
- Acquisition of power energy by the system operators for the recovery of losses only at prior day and daily markets.⁴⁷

Target market structure includes new market subjects as follows:

- Wholesale public service-delivery organization;
- Universal service (retail) provider;
- The last alternative supplier

Wholesale public service-delivery organization functions as an institutional trader on behalf of public service-delivery consumers. Tasks of the public service provider includes the following:

- Support of power generators engaged in the Guaranteed Power Purchase Agreements and support of their facilitated integration into the organized energy market for the power generated by them; facilitation of renewable energy resources;
- To ensure the purchase of electricity generated by State-owned and state-run generation facilities that have been required to provide public service delivery obligation;
- Support of the universal service provider by ensuring a stable price of power energy acquisition and facilitated integration at the organized market;

Universal service provider (retail) is a power energy supplier, which supplies power energy to household consumers and small enterprises with regulated terms and conditions, and price.⁴⁸

Function of the last alternative supplier entails consumer protection and supply of power energy if and when its vendor fails to do so. The last alternative supplier is selected by the Government of Georgia on the grounds of open tender procedures. In addition, it is possible that a universal service provider gets categorized as a last alternative supplier. Tariffs of the last alternative supplier are set in a transparent and non-discrimination manner by GNERC and it also adopts the supply rules of last alternative supply.⁴⁹

Functional Analysis of SOEs Operating in the Energy Sector

Three companies operating in the power energy sector of Georgia have a transmission licence: JSC "Georgian State Electrosystem" (GSE), JSC SakRusEnergo and LLC EnergoTrans.

⁴⁷ Government Decree N246 on the Adoption of a Concept Paper for Power Energy Market Model dated April 16, 2020, Article 2.

⁴⁸ Source: GNERC Resolution N47 on the Adoption of Rules for the Retail Power Energy Market dated August 13, 2020; Article 2.B".

⁴⁹ Source; Law of Georgia on Energy and Water Supply, Article 110. Last Resort Supply – supply as a public service delivery, for a limited period of time and with regulation terms and conditions to the ultimate consumers who failed to choose or lost the supplier of poer wnergy and/or natural gas due to certain circumstances.

GSE

JSC GSE is one of the largest owner of power transmission grid in Georgia. Its infrastructure consists of 3550 km-long power transmission lines and 93 substations. Transmission grid is managed from the national dispatch centre based in Tbilisi, while its technical support is provided by 3 regional branches of the operation department (East Georgia, West Georgia and Kakheti regional networks). Company does not generate power energy. GSE ensures the transmission and dispatch. Power energy transmission occurs from hydro, thermal and wind power plants to the distribution companies (JSC Telasi, JSC Energo-Pro Georgia) and to direct consumers (large enterprises).



JSC "Georgian State Electrosystem" is an operator of power transmission system engaged in the following:

- Carries out overall coordination of the power energy system and balances supply and demand of power energy;
- Manages the exchange of power energy with neighboring countries and actively cooperates with operators of the transmission systems;
- Manages all the power transmission lines connected to the neighboring countries;
- As the only dispatch licensee, it is responsible for balancing supply and demand of power energy in real time, control over the pressure in the transmission network, maintenance of reserves and management of the system during emergencies;
- National dispatch centre of the GSE ensures the regular operation of the whole facility during normal and emergency conditions. Centre, which is equipped with state-of-the-art technologies, efficiently responds to the information received from the national dispatch substations and stations, and constantly updated database during emergencies and ensures the effective remote management of the system.

Key directions of operation in the GSE are as follows:

- Planning and coordination of power generation and consumption;
- Ensured linkage with power transmission grid;
- Development of power transmission grid (construction of international and domestic power transmission lines and substations);
- Technical support of the power transmission grid.

Operating revenues of the GSE are generated from the payments for the power transmission and dispatch services rendered to qualified enterprises.

Ministry of Economy and Sustainable development of Georgia is a 100% owner of GSE shares. GSE has three subsidiaries: LLC EnergoTrans, Karchal Energy (operates in Turkey) and LLC SakRusEnergo – 50%. JSC Georgian State Electrosystem owns 100% shares of LLC EnergoTrans - another transmission licensee.

EnergoTrans



Core business of LLC EnergoTrans is to transmit, export and transit the power energy.

Total length of power transmission lines owned by LLC EnergoTrans is almost 290 kilometers in Georgia, which covers 10 municipalities of the country and connects from the south two substations with each other – Gardabani 500 and Didi Zestaponi through Akhaltsikhe 500/400/220 kw convertor station. Apart from the aforesaid, Akhaltsikhe convertor station is linked with a Turkish substation Borchkha through a 400 kw power transmission line Meskheti.

LLC EnergoTrans owns convertor station and power transmission lines:

- Akhaltsikhe convertor station:
 - 500 /400/200 kw convertor station
- 500 kw power transmission lines:
 - 500 kw Gachiani power transmission line connects Gardabani and Marneuli substations. Length of the power transmission line is 22.3 km. Number of antennas – 103;

- 500 kw Vardzia power transmission line connects Marneuli substation with Akhaltsikhe convertor station. Length of the power transmission line is 167.7 km. Number of antennas – 567;
- 500 kw Zekari power transmission line connects Akhatsikhe convertor station and Zestaponi substation. Length of the power transmission line is 67.3 km. Number of antennas – 160;
- 400 kw power transmission line:
 - 400 kw Meskheta power transmission line connects Akhaltsikhe convertor station with Borchkha substation. Length of the power transmission line within the Georgian territory is 32.2 km. (total cross-border length is 152.2 km). Number of antennas – 100.

As GSE owns 100% share in EnergoTrans and as these companies perform the same function, for the improvement of their operating efficiency, merger is planned within the GSE Corporate Plan by late 2020. At the same time, Concept Paper on the Power Energy Market Model (adopted with Government Decree N246 on April 16, 2020) defines a role of the transmission system operator in balancing the power energy system. In line with the referred concept, transmission system operator ensures the management of the power energy system with a principle of self-dispatch in accordance with the Law of Georgia on Power Energy and Water Supply and GNERC Regulations.⁵⁰

ESCO



Ministry of Economy and Sustainable Development of Georgia owns 100% shares in the commercial operator (ESCO) the largest wholesale supplier of power energy. ESCO has been making a significant contribution to the stability of power energy sector, uninterrupted power supply and development of the energy sector of the country since 2006

Key directions of ESCO in its operation are as follows:

- Trading with balancing power energy;

⁵⁰ By entities responsible for hourly schedules of self-dispatch, generation and consumption, as well as for the definition and planning of power energy generation/consumption means and their utilization.

- Trading with guaranteed capacity⁵¹;
- Import and export of power energy by the seasonal needs;
- Facilitated construction of new power plants (is a signatory to Power Purchase Agreement for the electricity generated in newly-constructed power plants);
- Registration as a participant in the wholesale trading with power energy:
- Amendments to registration data and voidance of registration;
- Creation and administration of a common database of wholesale buying and selling, including a registry of records, again including, but not limited to the following:
 - Creation and administration of a common database of recording units;
 - Creation of a common database of metering records by reporting periods;
 - Collection and systemic arrangement of all the essential information on the means of power energy generation, substations, consumers;
- Preliminary agreement of parallel operation agreements concluded by a power energy dispatch licensee with respective enterprises of neighbouring countries; monitoring of their adequate execution and other entitlement envisaged in the legislation of Georgia.
- Inspection of meters used in the wholesale records-keeping.

Within the domain of energy trading, market operator is entitled to buy and/or sell power energy through direct contracting or with standard conditions of balancing power energy to meet the needs of qualified enterprises⁵² (balancing). Predominantly power distribution companies and direct consumers buy the balancing electricity from the market operator. Price of the balancing electricity charged by the market operator is formed on a monthly basis, with a principle of an average weighted of prices on electricity acquired from power generation facilities of various categories and importers. Balancing electricity

⁵¹ Sustainability, safe and reliable operation of the whole power energy system of the country is the aim of a guaranteed capacity. Source of a minimum volume of each guaranteed capacity and timeframe for the provision of such guaranteed capacity to the whole power energy system of the country by a respective source is defined by the Government of Georgia. Price of a guaranteed capacity for each source of such guaranteed capacity on a daily basis is set along with a respective timeframe by the GNERC. Source of a guaranteed capacity is a power plant or power plants that should meet the technical parameters defined in the legislation. Trading with guaranteed capacity occurs only through ESCO with standard conditions of direct contracting, which are registered at the dispatch licensee. Qualified buyer of guaranteed capacity – distribution licensee, direct consumer and exporter – is obliged to compensate the power energy market operator for the payment to be made to the sources of guaranteed capacity in any given reporting period in proportion to the total actual consumption of the acquiring guaranteed capacity and export. Source: <https://esco.ge/ka/garantirebuli-simdzlavre>

⁵² Qualified enterprises: power generation licensee, distribution licensee, direct consumer, exporter and importer, small capacity power plant.

acquired from the market operator consists of the imported electricity and those of generated by hydro and thermal power plants.⁵³

Government Decree N246 on the Adoption of a Concept Paper for the Power Energy Market Model dated April 16, 2020 envisages the assignment of a role and functions of a wholesale public service organization to ESCO. It will be responsible for the price stability on the market and supply of power energy to the Abkhazian region. Wholesale public service organization will acquire power energy at the prior day/daily market for consumption in the occupied territory of Georgia (Autonomous Republic of Abkhazia).⁵⁴

*SakRusEnerg*o



JSC UES „SAKRUSENERGO“

JSC SakRusEnerg is a transmission licensee, which owns and operates 500, 330 and 220 kw power transmission lines, including those between the systems:

- 500 kw power transmission line Kavkasioni connecting the Georgian and Russian power energy systems;
- 500 kw power transmission line Mukhrani Valley and 330 kw power transmission line Gardabani connecting the Georgian and Azerbaijani power energy systems;
- 220 kw power transmission line Adjara connecting the Georgian and Turkish power energy systems;

⁵³ Source: GNERC Report for 2018; pp.21

⁵⁴ Power energy is supplied to Abkhazia till July 1, 2021 from the Enguri HPP and Vardnili HPP Cascade by the approved projected balances of power (capacity). If and when power is supplied to the Abkhazian territory at the expense of power acquired by ESCO, Enguri HPP and Vardnili HPP Cascade are obliged to supply ESCO with the equivalent power energy by the following reporting period. ESCO is authorized to sell the referred power energy for the price it acquired and supplied to the Abkhazian territory. Price for the export of the said power energy is formed by ESCO in line with an agreement concluded on the export and/or exchange of power energy.



Export of excess power energy generated in summer in Georgia is possible through the transmission lines connecting Georgia with its neighboring countries, while they are significantly engaged in the filling the deficit witnessed in the energy system in winter.

Company also owns 500 kw power transmission lines within the domestic system:

- Imereti;
- Kartli 1;
- Kartli 2;
- Mukhrani;
- Asureti.

Key tasks of the company operation are as follows:

- Maintenance of the owned power transmission lines in sound condition and their safe operation;
- Uninterrupted transmission of power energy, including transit;
- Facilitated parallel operation with energy systems of neighboring countries.

In line with a 10 Year Development Plan of the Georgian Transmission Lines for 2019-2029, following projects need to be implemented by SakRusEnergo :

- Construction of a new, dual chain power transmission line of 330 kw – 1.2 Gardabani to connect the Georgian and Azerbaijani power energy systems to the Georgian-Azerbaijani border;
- Construction of a power transmission line of 500 kw – Marneuli-Airum, 500 kw Mukhrani from Antenna N42 to the Georgian-Armenian border;
- Rehabilitation of a power transmission line 500 kw Imereti;
- Construction of 500 kw power transmission line Stepantsminda-Mozdok.

Equal shareholders of JSC SakRusEnergy are: State of Georgia represented by GSE and public joint stock company Federal Grid Company of the United Power Energy System of the Russian Federation (ПАО «ФСК ЕЭС») from the side of Russia.⁵⁵

Georgian Oil and Gas Corporation



One more SOE operating in the energy sector of the country is JSC Georgian Oil and Gas Corporation, which is a diversified company and operates in various segments of the energy sector. JSC Partnership Fund is 100% owner of the corporation. Power generation/supply is a relatively new direction in the operation of the corporation.

Georgian Gas and Oil Corporation started the generation of power energy in 2015 upon the completion of the construction of the first thermal power plant (TPP) in Gardabani and its commissioning.

JSC Georgian Oil and Gas Corporation owns 51% of Gardabani TPP, while 49% is owned by JSC Partnership Fund.

Investment was made in the construction of the second TPP of Gardabani with 100% equity

⁵⁵ source: <https://sakrusenergo.ge/%e1%83%99%e1%83%9d%e1%83%9b%e1%83%9e%e1%83%90%e1%83%9c%e1%83%98%e1%83%98%e1%83%a1-%e1%83%a8%e1%83%94%e1%83%a1%e1%83%90%e1%83%ae%e1%83%94%e1%83%91/>



participation of the Corporation in 2016.

Construction of Gardabani 2 TPP completed in December 2019, while GNERC granted it a power generation licence in March 2020 as a result of which the TPP started to operate in March 2020. TPP stands out with high efficiency and technology of environmental protection, which was built with an investment of almost 180 million USD.

New TPP is equipped with a an innovative and so-called zero launch function for the first time ever in Georgia. It enables for the supply of power energy to the system in the shortest period of time by recovering from point zero during emergencies. Gardabani 2 TPP generates almost 1.3 billion kw/hr of electricity a year, which is energy efficient and consumes almost twice less gas, being more economic than old power plants of the country operating on natural gas. Similar to the energy efficient Gardabani 1, planned capacity of this particular TPP is 230 megawatts. It is equipped with modern General Electric gas and steam turbines and generators. Implemented project has a great strategic importance for the sustainability of the Georgian energy system and sector at large, as well as for its successful development.⁵⁶

The main activity of JSC Georgian Oil and Gas Corporation in the energy sector is the import of natural gas. Natural gas import and subsequent wholesale sales are mainly implemented for social users (power generation facilities and population). Other areas of activity of the company are also exploration and extraction of oil and gas in Georgia and leasing of pipelines. After December 2006, when the company was granted the status of a "National Oil Company" on behalf of the state of Georgia, the company acquires and sells the state share of oil and gas extracted in Georgia in accordance with the "Product Sharing Agreement" concluded between the state and investors. The corporation has an oil extraction license and conducts oil extraction on its own in the licensed area. The natural gas transport infrastructure reported on the corporation's balance sheet has been transferred under a lease agreement to the Georgian Gas Transportation Company Ltd., which carries out its operation.

⁵⁶ Source: <https://www.gogc.ge/ka/project/gardabnis-tbosadguri-2/32>; <http://gtpp.ge/?view=job>; <https://www.gogc.ge/ka/companies/subsidiary-companies/>.

In addition to leasing the gas pipeline, the company leases the oil pipeline and receives transit revenue for each barrel of transported oil. Payment for oil transportation is made through the Baku-Supsa pipeline from Azerbaijan to Turkey.

Georgian Gas Transportation Company

The company operates the main gas pipeline system on the territory of Georgia, 100% of which is owned by JSC "Georgian Oil and Gas Corporation". The company's revenue, which it receives from the use of the main gas pipeline system owned by JSC "Georgian Oil and Gas Corporation", consists of the following activities:

- ❖ Transit of natural gas from the Russian Federation through the main gas pipeline owned by JSC Georgian Oil and Gas Corporation to the Republic of Armenia.
- ❖ Transportation of natural gas throughout Georgia, mainly for distribution companies, industrial enterprises and thermal power plants.
- ❖ Gas sales to other consumers in Georgia.

The company implements pipeline construction projects in the villages on the instructions of the Government of Georgia. The state owns 100% of the company. The company is managed by the Ministry of Economy and Sustainable Development of Georgia.

Enguri HPP

The state owns 100% of Enguri HPP Ltd. The company is managed by the Ministry of Economy and Sustainable Development of Georgia. The company's activities are the production and sale of electricity.

The company is responsible for the operation of the Enguri hydropower plant, the Vardnili hydropower cascade and several small hydropower plants in the Kodori Gorge on the territory of the Autonomous Republic of Abkhazia.

Georgian Energy Development Fund



Identification of renewable energy projects of great potential and their facilitated development is the main goal of JSC Georgian Energy Development Fund (GEDF).

It is founded with a Government Decree N1564 issued on December 8, 2010 on the grounds of a Ministerial Order 1-1/1950 issued by the Ministry of Economy and Sustainable Development (MESD) on 10-12-2010 and MESD is a 100% owner of the GEDF.

JSC Georgian Energy Development Fund is aimed at facilitating the materialization of energy potential of the country, identification of relevant financial resources, development of projects and their effective implementation. GEDF performs the following with an aim of achieving the said goals:

- Carry out preliminary studies;
- Preliminary feasibility studies of projects;
- Preliminary Environmental Impact Assessment (EIA) of projects;
- Identification of investors by soliciting their interest towards the existing projects;

GEDF studies locations with energy potential with an aim of their feasibility studies. Preliminary EIAs are also carried out for specific projects and preliminary project study reports on the grounds of which if an investor is interested and shareholder agrees GEDF starts the due diligence of the project and other additional services. If an investor is interested an agreement is concluded by and between the investor and GEDF (and the third party, if applicable), which defines the rights and responsibilities of the investor and the company.

GEDF carries out several dozen projects in the energy sector of Georgia and its portfolio is diversified. Company is on the one hand a co-investor of projects or energy facilities existing at the construction stage, on the other hand carries out studies to identify the potential use of nontraditional energy resources.



JSC Georgian Energy Development Fund carries out: identification of investments into the wind and solar energy; biomass and alternative energy projects, which facilitate the introduction of new technologies to the energy sector of the country; provision of permanent supply of power energy projects of social significance in the highlands of Georgia, with no previous development of traditional power energy..



One of the directions in the operation of the GEDF is also a service delivery in the energy sector, which includes the following: project, study and legal services, namely:

- Preparation of all the essential documents for construction, including the rights and licences;
- Preliminary schematic processing of projects or preliminary feasibility study;
- Construction monitoring.⁵⁷

Concentration on the development of renewable energy sources and implementation of projects with social significance makes the GEDF functionally stand out from other SOEs operating in the power energy sector of the country.

⁵⁷ Source: <https://gedf.com.ge/About-company>; <http://www.economy.ge/?page=news&nw=1370&lang=ge>.

Functional, Legal and Property Segregation (Unbundling)

Within the commitments assumed as a result of Georgia's accession to the Founding Agreement of the European Energy Community (EEC), Law of Georgia on Energy and Water Supply envisages the EU Directive N2009/72/EC dated July 13, 2009 (on Common Rules for the Internal Power Energy Market) and makes its transposition into the national legislation. The referred EU Directive defines requirements for the independence of transmission and distribution activities from other energy activities and related commercial interests, thereby preventing the preconditions of conflict of interest and cross-subsidies.

Law of Georgia on Energy and Water Supply defined the models for the separation of a transmission system operator and distribution system operator:

A) Separation of the transmission system operator⁵⁸:

- Main model for the separation of the transmission system operator is a property separation. Law elaborates detailed criteria that define the requirements of property separation (Article 45 of the Law);
- GNERC is entitled to also consider a model of independent system operator as an exception of property separation in cases of necessity. It implies the separation of a completely independent system operator in the vertically integrated enterprise and its authorization in line with the criteria laid out in the Law. Other transmission licensees that will not be authorized to act as a transmission system operator, will become owners of the transmission system and will carry out their rights and obligations defined in the Law (Article 48), by indicating the system operator;
- Government of Georgia takes a decision on the separation model of the transmission system operator, though in agreement with the EEC Secretariat the GNERC submits to the Government of Georgia a separation model of the transmission system operator with an aim of this decision-making along with an Action Plan for its implementation;
- Separation of the transmission system operator is supervised by the GNERC with an aim of which the transmission system operator gets certified under the rules defined in the Law by the GNERC and by adhering to the procedures defined in respective regulations, while after the successful certification– transmission system operator get licensed.

Government Decree N682, 13 November, 2020 on the Adoption of a Separation of Power Transmission System Operator of Georgia has been developed to adopt and implement the property separation model

⁵⁸ Source: GNERC Report for 2019; pp. 26-27

of the transmission system operator. Government Decree envisages a detailed list of measures and deadlines that have been committed by respective subjects and namely for the implementation of the property separation model subjects defined in the plan should ensure the implementation of measures in the plan within 22 days from the enactment of the Government Decree, which ensures actual ownership, full operation and security of obligations of the nation-wide transmission infrastructure assets by the GSE JSC.⁵⁹

In line with the Government Decree, with an aim of property separation of the transmission system operator, no later than December 31, 2021, Ministry of Economy and Sustainable Development of Georgia should ensure within 22 days from the enactment of the Government Decree and on the grounds of initiation of appropriate changes and negotiations with respective public institutions and other public organizations such distribution of management rights of the below-listed companies under its management that will not leave companies of energy transmission/distribution on the one hand and generation/supply/trade on the other hand at the same time in the management of the same public institution:

In the electricity sector:

- JSC GSE – transmission activities (100% of shares);
- LLC EnergoTrans – transmission activities (100% of shares);
- JSC United Energy System SakRusEnergo – transmission activities (50% of shares);
-
- LLC Enguri HPP – generation activities - (100% of shares);
- LLC Vardnili HPP Cascade – generation activities - (100% of shares);
- JSC Commercial Operator of the Power Energy System – trading/supply of power energy (100% of shares);
- JSC Karchal Energy registered in the Republic of Turkey as a wholesale power energy trader (KARÇAL ENERJİ ELEKTRİK TOPTAN TİCARET A.Ş.) (100% of shares).

In the natural gas sector:

Georgian Gas Transportation Company Ltd - transmission activity (100% of shares);

JSC Georgian Oil and Gas Corporation - Trading (100% of shares).

⁵⁹ Source: Government Decree on the Adoption of a Plan for Separation of Power Energy Transmission System Operator.

Prior to the completion of these negotiations and the implementation of the amendments, the Ministry of Economy and Sustainable Development should, as a temporary measure, ensure that the management rights of the above-mentioned companies in its area of governance are properly distributed, at least among the structural subdivisions within the Ministry. The period of validity of the temporary measure should not exceed the period before December 31, 2021.

Government Decree envisages also a list of measures to be carried out for the implementation of a plan for the separation of the transmission system operator and namely following needs to be done within 22 days from the enactment of the Government Decree:

- Confirmation of planning, maintenance and development rights to be realized towards assets held by JSC Georgian State ElectroSystem as an owner of assets held within the transmission infrastructure owned by LLC EnergoTrans as the former, with an aim of an uninterrupted operation and use of assets as a security of its obligations.
 - Amendments will be made in the charter of LLC EnergoTrans as 100% Subsidiary of JSC Georgian State Electrosystem, which ensures an uninterrupted and unrestricted possibility of transmission system asset management and operation held within the capital of LLC EnergoTrans by the founder being JSC Georgian State Electrosystem. It is worth mentioning that a plan for the merger of JSC Georgian State Electrosystem and LLC EnergoTrans has been approved with a Government Decree N805 issued on May 13, 2020. Amendments made to the Statute of LLC EnergoTrans by the plan of separation will not have a negative impact on the implementation of the plan for the merger. Hence, measures envisaged in the plan of separation do not contradict to the measures indicated in the plan for merger.⁶⁰
- Paid Transfer of ownership of the transmission infrastructure assets owned by JSC United Energy System Sakrusenergo to the ownership and operation of JSC Georgian State Electrosystem as a transmission system operator so as to ensure the following in relation of the referred assets:
 - Actual ownership, full operation and collateral use of transferred assets by JSC Georgian State Electrosystem, (in the case of a respective application made in writing by JSC Georgian State Electricity System and if corporate procedures envisaged in the Statutes of JSC United Energy System SakRusEnergo are met);
 - If and when a respective prior decision is made as envisaged in the Statutes by the General Meeting of Shareholders of JSC United Energy System SakRusEnergo, within 22 days from the

⁶⁰ Source: Government Decree on the Adoption of a Plan for the Separation of an Operator of the Georgian Power Energy Transmission System.

enactment of the regulation, Paid Lease Agreement to be concluded by and between JSC United Energy System SakRusEnergo and JSC Georgian State Electrosystem, on the grounds of which SakRusEnergo will fully transfer the right of the transmission system asset management and operation to the GSE, without granting it the ownership rights.

- Possibility of free execution of the development planning rights by JSC Georgian State Electrosystem towards the transferred assets;
- Execution of the maintenance and operation activities by JSC Georgian State Electrosystem by exclusively using the services of JSC United Energy System SakRusEnergo as an owner of the referred assets, if not otherwise indicated in the Asset Transfer Agreement.⁶¹

Given that trade with energy products, unlike other sectors, depends on the transmission infrastructure / network, adhering to the principles of unbundling in energy markets plays a crucial role in developing competition. If the interested (third) party does not have access to the network, it will not be able to enter the market and will not participate in the trade. Accordingly, access to the grid is directly proportional to market access, which determines the degree of competition in the energy markets. The purpose of unbundling is to separate competing activities (supply and generation) from naturally monopolistic (transmission / network operator) activities in order to avoid conflicts of interest. For example, if one company operates a transmission network and simultaneously generates or sells energy, it may restrict competitors' access to infrastructure / network. This hinders competition in the market and could lead to an increase in energy prices for consumers eventually. Thus, achieving the goal of property segregation ensures competition in the market. Furthermore, according to the current property separation plan, the Ministry of Economy and Sustainable Development may still have an enterprise performing any function in the electricity sector, which will be incompatible with the best management standards of the OECD, as the Ministry of Economy and Sustainable Development is the policy maker of the sector and is considered a regulator.

B) Separation of the distribution system operator⁶²:

- Distribution system operator, which is a part of a vertically integrated enterprise should be at least in legal form, organizational arrangements and decision-making independent from such activities that are not related to the distribution. For the purposes of separation of the distribution system operator and its further authorization, it is not required to have its property separation from the vertically integrated company;
- GNERC supervises the compliance with requirements on the separation of the distribution system operator, which also includes the issuance of respective regulations. Confirmation of compliance of a distribution network operator by GNERC is an integral part of its licensing.

⁶¹ Source: Government Decree on the Adoption of a Plan for the Separation of an Operator of the Georgian Power Energy Transmission System.

⁶² Source: GNERC Report for 2019; pp. 27

With its Resolution N39 issued on July 16, 2020, GNERC has approved the Rules for a Separation of a Distribution System Operator, which define the mandatory criteria for the separation of the distribution system operator and compliance of the distribution system operator with these criteria, thereby defining the legal and functional independence requirements of such distribution system operator.

If and when the distribution system operator is part of the vertically integrated enterprise, its legal separation may be carried out with one of the following methods:

- Distribution system operator will be formed as a separate enterprise, which will remain as a Subsidiary of the vertically integrated enterprise;
- Distribution system operator will be formed as a separate enterprise and will be stripped off of all functions that are not directly related to distribution;
- Holding enterprise will be incorporated, which will thereby be a shareholder/partner of the distribution system operator, as well as of a vertically integrated enterprise. At the same time, distribution system operator, which is part of a vertically integrated enterprise, is not limited in with these possible structural changes and it is possible that its legal separation is carried out in a different manner, provided the principles and requirements laid out in the Rules for the Separation of a Distribution System Operator are fully met.

For instance, JSC Energo-Pro Georgia owned power energy distribution and generation licences till the end of 2016, though it legally separated these two activities in December 2016. As a result, JSC Energy-Pro Georgia Generation was incorporated, which ended up owning 11 power plants, while JSC Energy-Pro Georgia retained the distribution assets.⁶³

To achieve the functional independence, these rules envisage a requirement of management separation and namely it is prohibited to allow the participation of entities responsible for the management of distribution system operation⁶⁴ in the management of enterprises falling under the commercial structures of a vertically integrated enterprise, which are directly or indirectly responsible for the daily performance of the generation, transmission, supply and/or trade. At the same time, distribution system operator and enterprise owning its shares/stakes should take reasonable measures to make at least half of the supervisory and management board members independent in the distribution system operator.⁶⁵

Separation of distribution system operator should be completed no later than on December 31, 2020.

⁶³ Source: GNERC Report for 2018; pp. 27

⁶⁴ For the purposes of the Rules, entities responsible for the management of distribution system operator include the following: members of the supervisory councils and management boards at their peer bodies, if applicable, as well as other entities authorized to manage, including the CEO, Deputy CEOs and mid-management.

⁶⁵ Source: GNERC Resolution N39 on the Adoption of Rules for the Separation of Distribution System Operator, dated July 16, 2020, Article 5.

Power Purchase Agreements in the Context of Market Liberalization

Power Purchase Agreements (PPAs) are one of the most important issues in the context of market liberalization. PPAs serve as one of the tools to attract and sustain investments, which the government solicits. At the same time PPAs are the largest sources of fiscal risks in the country.

JSC Commercial Operator of the Power Energy System (ESCO) is obliged to conclude PPAs with relevant entities with terms and conditions agreed by and between the Government of Georgia, ESCO and an investor. ESCO is not engaged in the definition of a price indicated in the Memorandum to be concluded with the investor, nor in the timeline of acquisition. Its obligations covers a guaranteed purchase of power energy generated by the newly constructed power plants mainly in the months of autumn and winter, when the consumption of power energy in the country is substantially higher in contrast with that of generated in Georgia.

Probability of fiscal risks stemming from PPAs getting materialized arises when and if the price of guaranteed purchase substantially exceeds the market price on imports available in the region. Within the currently existing system of legislation, fiscal risk related to PPAs is small. Nevertheless, it will change in the deregulated market conditions. Enforcement of the new power energy market model is scheduled from 2021.⁶⁶

Apart from the fiscal risk, PPAs will negatively impact the market liberalization, i.e. market partially loses the freedom with which the competitive energy market prices should be set. It may be said, that a wide scale PPAs are an indirect tool for the regulation of an energy market.

Concept Paper of Georgia for the Power Energy Market Model (adopted with Government Decree N246 dated April 16, 2020) envisages the integration of PPAs within the organized market. In line with Article 11 of the Concept Paper, power energy envisaged in a PPA will be sold at the organized market by a wholesale public service organization or by a power generator itself for the transparency and liquidity of the power energy market, as well as for a competitive price setting. Under the Concept Paper, ESCO becomes the wholesale public service organization and will render wholesale public services from July 1, 2021.

⁶⁶ Source: Fiscal Risk Analysis Report for 2019-2023 pp. 59,

Wholesale public service organization will be a guarantor of price stability⁶⁷ for the power plants falling under the PPAs.⁶⁸ Wholesale public service provider is entitled to trade at power energy markets if a need be, though a Price Difference Agreement is the main mechanism to be used for price stability. With the referred agreement, company compensates for the difference between the promised and market prices. In line with a Concept Paper of Georgia on the Power Energy Market Model (Article 11) and with an aim of supporting the engagement of power energy generators in the organized market and in agreement with the Government of Georgia, an agreement may be concluded by and between the power generator and wholesale public service organization on the compensation of a negative difference between the market and agreed prices and/or on supporting measures. Nevertheless, if and when the power generator engaged in the PPA does not apply this right, wholesale public service organization is responsible for the offer of this power energy to the organized market.

The procedure for reimbursing a price difference contract should be determined by the government. According to the Resolution N 246 of the Government of Georgia of April 16, 2020 ("On Approval of the Concept of Electricity Market Model"), the rules for the provision of wholesale public services, as well as the formation and management of the fund created for this purpose shall be determined by the Government of Georgia. However, a public service commitment is a temporary measure that should be reviewed at least once every 2 years to determine its need and impact outcomes.

[Scheme in Support of Energy Generation and Use of Renewable Sources](#)

Government Decree N403 dated July 2, 2020 defines a scheme in support of renewable sources for power generation and application solely for hydro power plants. Government Decree, which was drafted on the grounds of the Law of Georgia on the Facilitated Generation and Use of Energy with Renewable Sources, defines measures in support of construction and operation of hydro power plants with an established capacity of more than 5 megawatts by a private initiator operating in Georgia.

In line with the referred Government Decree, consideration of the investment offer and agreement on the support scheme for the construction and operation of a power plant by and between a private initiator, Government of Georgia and JSC Commercial Operator of Power Energy System⁶⁹ is carried out

⁶⁷ Wholesale Public Service Organization will be a guarantor of price stability for the following market participants: power plants with PPAs; power plants intended by the Government of Georgia for other incentive schemes; universal service providers (companies that supply power energy to population and other ultimate consumers); regulated power plants (e.g. Enguri HPP); guaranteed capacity suppliers (e.g. TPPs).

⁶⁸ Source: Power Energy Market Review by the Galt&Taggart, published on May 7 2020; pp. 2

⁶⁹ Support scheme is carried out by JSC Commercial Operator of Power Energy System and after the definition of a wholesale public service organization under the Law of Georgia on Energy and Water Supply by such organization under the rules laid out in the agreement. Obligation of public service is a temporary measure, which should be subjected to a regular revision with an aim of defining its requirement and impact. Government of Georgia assigns the obligation of a public service delivery energy enterprise on the grounds of common economic interests,

under the rules defined in the Law of Georgia on Public-Private Partnership. Support scheme includes the following components:

a) Timeline of Support:

- Support timeline is defined to be ten years from the date when the power plant gets commissioned and power generation licence is issued (if required by the legislation), during 8 months a year (January, February, March, April, September, October, November, December).

b) Premium Tariff:

- Premium tariff is 0.015 USD per 1 kilowatt, except those cases when the difference between the fixed wholesale (balancing) price for the respective hour at the organized power energy market and 0.055 USD is less than 0.015 USD, when the premium tariff is calculated with the referred difference.
- Premium tariff is paid as a supplement to the fixed wholesale (balancing) price for the respective hour at the organized power energy market, only in those cases when the fixed wholesale (balancing) price for 1 kWh of electricity generated and sold at the organized power energy market is less than 0.055 USD.
- Premium tariff is paid in the national currency of Georgia, with an exchange rate defined by the National Bank of Georgia (NBG) for the date of invoice, under the rules envisaged in the agreement.

Under the Government Resolution and by considering the specific nature or significance of the power plant it is possible that different terms and conditions from this support scheme get developed.

According to the Decree N 246 of the Government of Georgia of April 16, 2020 ("On Approval of the Concept of Electricity Market Model"), the fee provided by the support scheme for producers using the renewable energy support scheme will be reimbursed by the Wholesale Public Service Organization (ESCO). The procedure for establishing a fund for the support of renewable energy shall be determined by a resolution of the Government of Georgia on the organization of wholesale public services.

JSC Georgian Energy Exchange

security of supply, uninterrupted nature, adequate quality and price, as well as for the ensured environmental protection, energy efficiency, power generation from renewable sources and climate protection. Obligation of a public service delivery may be assigned to any energy enterprise.

Establishment of new state company – Energy Exchange – is part of the current reform agenda implemented in the energy sector of Georgia. JSC Georgian Energy Exchange was incorporated in 2019 under the instruction and coordination of the Ministry of Economy and Sustainable Development of Georgia with 50/50% share participation of GSE and Commercial Operator of the Power Energy System.

Georgian Energy Exchange has two main tasks:

- Preparation of those markets that are essential in the reformed power energy sector. They are as follows: prior day market, within a day market and a market of bilateral agreements. Preparation of markets envisages the technical provisioning of markets (procurement, commissioning and piloting of relevant platforms), which should be carried out gradually over several years.
- Drafting of the secondary legislation – market rules should now be approved by GNERC, instead of the Ministry of Economy and Sustainable Development, though these very market rules need to be drafted by the Georgian Energy Exchange.⁷⁰

JSC Georgian Energy Exchange is obliged⁷¹:

Until July 1, 2021

Design and development of a prior day market platform, along with testing, launch in a simulation regime with potential participants and introduction;

Filing a relevant application to GNERC for getting a licence of a prior day and bilateral agreement market operator;

Until July 1, 2022

Design and development of daily market, along with testing, launch in a simulation regime with potential participants and introduction. Energy Exchange works with a consulting firm The Nord Pool Consulting on the establishment of a trading platform and design of its operating rules.

Filing a relevant application to GNERC for getting a licence of a daily market operator;
Operation of a daily market platform.

⁷⁰ Source: <https://bm.ge/ka/article/energetikuli-birjis-momavali-da-sachiroeba-saqartveloshi--interviu-irina-miloravastan-/45341> 15.12.2019

⁷¹ GNERC Resolution N39/2 issued on May 28, 2020 led to the power energy market operation licence granted to JSC Georgian Energy Exchange.

The impact of Sectorization

The Ministry of Finance of Georgia has implemented the sectorization of state-owned enterprises (SOEs) (Order N96 of the Minister of Finance of April 24, 2020 "On the Approval of the List of Sectorization of State-Owned Enterprises"), which implies the attribution of state-owned enterprises to public corporation or general government units. Among Central Asia and Eastern Europe countries, Georgia is the first state, which fully carried out the sectorization of state-owned enterprises. According to the results of the sectorization, 52 SOEs are belonged to the public corporation sector, 183 enterprises – to the general government sector. Furthermore, at the moment of the preparation of the Fiscal Risks Analysis Document 2020, the coverage of the enterprises owned by the municipalities has been increased to 100%, which on the other hand caused clarification of sectorization list, where total number of SOEs increased by 116. All of them referred to general government sector, which is taken into account in quantification of sectorization impact on fiscal parameters.

The important criteria in the classification of SOEs are how independent an enterprise is in the decision-making process, whether the enterprise sells its product at an economically significant price in a competitive environment and whether it depends on budget financing.

The sectorization of state-owned enterprises is an important step forward in terms of fiscal transparency in the country, in particular, by reflecting general government units in public finance statistics, which in turn will affect public finance revenues, expenditures and liabilities.

Based on our analysis we can show the hypothetical impact of sectorization on fiscal parameters.

The hypothetical impact of sectorization on the country's 2019 fiscal parameters (relative to GDP)

Impact on State Debt	+0.82%
Impact on Deficit	- 0.22%
Impact on Incomes	+1.35%
Impact on Expenses	+1.98%

Assessment of the fiscal risks arising from public-private partnership projects

Power Purchase Agreements

The Guaranteed Purchase Agreement in Georgia is concluded with the state company "Electricity System

Commercial Operator" (ESCO), whose responsibility is to balance electricity supply and demand between the market and a private electricity producer. Under the Guaranteed Purchase Agreement, a private company will be granted a construction and operating license. In return, ESCO undertakes to purchase a specific, pre-agreed amount of electricity at a pre-agreed guaranteed price. ESCO usually sells electricity purchased.

Although ESCO is not required to disclose Power Purchase Agreements in its financial statements, the fiscal transparency standards adopted by the Ministry of Finance require disclosure of the potential fiscal costs and associated fiscal risks associated with these contracts. For this reason and also because the gradual deregulation of the electricity market may pose fiscal risks, the Ministry of Finance considers it appropriate to disclose guaranteed purchase agreements in accordance with this standard.

Power Purchase contracts are subject to disclosure if they meet the following criteria:

- Power Purchase Agreement is signed;
- Construction permits issued;
- Funds are provided for the implementation of the project.

In the current legal system, the fiscal risk associated with guaranteed purchase agreements is low. However, this may change under deregulated market conditions. The probability of materializing the fiscal risks associated with Power Purchase Agreements arises if the guaranteed purchase price significantly exceeds the market prices available for imports into the region.

The expected total value of the guaranteed purchase agreements is estimated at US \$ 3 billion, which is 20% of the forecast 2020 GDP.

To analyze the impact on the fiscal sector, it is important to assess the fiscal costs and fiscal risks of guaranteed purchase agreements.

Fiscal expense is calculated by multiplying the guaranteed purchase volumes by the difference between the purchase price guaranteed and the forecast base price⁷².

Fiscal risk is assessed by two scenarios

- **Risk Scenario 1.** Fiscal risk is calculated by multiplying the guaranteed purchase volumes by the difference between the guaranteed purchase price and the forecast base price reduced by 10 percent. The same scenario involves the construction of two large power plants under the terms of the PPA.
- **Risk Scenario 2.** Fiscal risk is calculated by multiplying the guaranteed purchase volumes by the difference between the purchase price guaranteed and the forecast base price reduced by 30 percent. The same scenario involves the construction of two large power plants under the terms of the PPA.

The following table summarizes the fiscal estimates and fiscal risks for the full period of guaranteed purchase agreements:

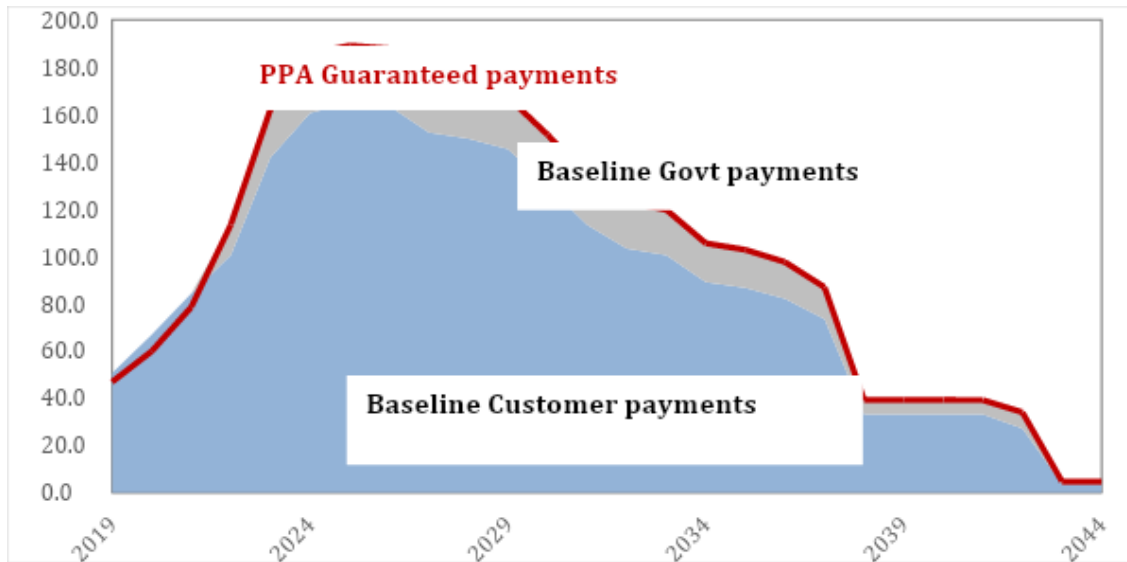
Figure 23. Possible Total Fiscal Impacts of Guaranteed Purchase Agreements Over the Full Period of Guaranteed Purchase Agreements

	Million USD	Million GEL
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⁷² The base forecast price is calculated based on current prices in the region;

	Total	NPV	Total	NPV
Fiscal Pressure (Guaranteed Purchase Amount in Currency)	6,081	3,037	20,191	10,084
Fiscal Expense (Basic)	883	411	2,934	1,365
Fiscal Risk Scenario 1 (-10% Price)	3,084	1,245	10,240	4,133
Fiscal Risk Scenario 2 (-30% Price)	4,273	1,760	14,187	5,842

Chart. Distribution of PPA Costs to Consumers and Government (Baseline - Million USD)



The diagram below shows the amounts paid by the government in the baseline scenario to the direct electricity consumers and the government in dollars. However, this represents 100% realization of the conditional obligation of the Government. If this amount is taken into account in electricity tariffs, the cost per kilowatt hour is at least 0.01 tetri and maximum 0.47 tetri (less than 1 tetri).

Table 24. Expected nominal and discounted fiscal outlay for all projects, all major 10, 5 and 3 projects (baseline scenario)

Year	All Projects		TOP 10		TOP 5		TOP 3	
	Nominal	Discounted	Nominal	Discounted	Nominal	Discounted	Nominal	Discounted
2020	10.45	9.03						
2021	12.37	10.18	6.86	5.64				
2022	11.65	9.12	6.04	4.73				

2023	13.29	9.92	5.17	3.86				
2024	14.95	10.62	6.01	4.27	2.40	1.71	1.35	0.96
2025	45.32	30.68	18.38	12.44	16.58	11.22	11.13	7.54
2026	40.83	26.32	18.67	12.03	15.76	10.16	10.90	7.03
2027	35.34	21.70	18.44	11.32	15.50	9.52	9.27	5.69
2028	30.72	17.96	18.54	10.84	15.59	9.11	9.27	5.42
2029	32.63	18.17	18.60	10.35	15.59	8.68	9.27	5.16
2030	43.08	22.84	18.69	9.91	15.59	8.27	9.27	4.92
2031	39.82	20.11	18.69	9.44	15.59	7.87	9.27	4.68
2032	43.29	20.83	18.69	8.99	15.59	7.50	9.27	4.46
2033	38.69	17.72	18.69	8.56	15.59	7.14	9.27	4.25
2034	35.49	15.48	18.69	8.15	15.59	6.80	9.27	4.04
2035	42.00	17.45	18.69	7.77	15.59	6.48	9.27	3.85
2036	44.32	17.54	15.59	6.17	15.59	6.17	9.27	3.67
2037	57.56	21.69	15.59	5.87	15.59	5.87	9.27	3.49
2038	56.56	20.30	15.59	5.60	15.59	5.60	9.27	3.33
2039	54.71	18.70	15.59	5.33	15.59	5.33	9.27	3.17
2040	45.15	14.70	6.32	2.06	6.32	2.06		
2041	45.15	14.00	6.32	1.96	6.32	1.96		
2042	45.15	13.33	6.32	1.87	6.32	1.87		
2043	45.15	12.70	6.32	1.78	6.32	1.78		

Table 25. Expected nominal and discounted fiscal outlay for all projects, all major 10, 5 and 3 projects (risk scenario - 10%):

Year	All Projects		TOP 10		TOP 5		TOP 3	
	Nominal	Discounted	Nominal	Discounted	Nominal	Discounted	Nominal	Discounted
2020	18.15	15.68						
2021	21.49	17.68	10.47	8.61				
2022	20.14	15.78	8.96	7.02				
2023	22.40	16.72	8.14	6.07				
2024	28.57	20.31	13.49	9.59	8.75	6.22	6.30	4.48
2025	99.31	67.22	55.22	37.38	49.73	33.66	47.28	32.00
2026	92.04	59.33	56.36	36.33	47.06	30.34	44.94	28.97
2027	89.74	55.09	62.35	38.28	58.49	35.91	58.49	35.91
2028	145.05	84.81	110.32	64.50	91.50	53.50	91.50	53.50
2029	134.27	74.77	102.92	57.31	103.33	57.54	103.33	57.54
2030	133.00	70.53	115.27	61.13	113.57	60.23	113.57	60.23
2031	131.22	66.28	109.59	55.35	109.11	55.11	109.11	55.11
2032	120.63	58.03	103.71	49.89	104.50	50.26	104.50	50.26
2033	125.52	57.50	117.20	53.69	120.18	55.05	120.18	55.05
2034	134.46	58.67	112.83	49.23	139.54	60.88	139.54	60.88
2035	126.22	52.45	130.33	54.15	139.54	57.98	139.54	57.98
2036	116.22	45.99	148.16	58.63	139.54	55.22	139.54	55.22
2037	107.51	40.52	148.16	55.84	139.54	52.59	139.54	52.59
2038	145.85	52.35	148.16	53.18	139.54	50.09	139.54	50.09
2039	139.29	47.62	148.16	50.65	139.54	47.70	139.54	47.70
2040	120.01	39.07	135.12	43.99	126.50	41.18	126.50	41.18

2041	114.01	35.35	135.12	41.90	126.50	39.22	126.50	39.22
2042	122.73	36.24	124.13	36.66	115.51	34.11	115.51	34.11
2043	85.06	23.92	46.48	13.07	37.86	10.65	37.86	10.65
2044	85.30	22.85	44.50	11.92	37.86	10.14	37.86	10.14
2045	37.86	9.66	37.86	9.66	37.86	9.66	37.86	9.66
2046	37.86	9.20	37.86	9.20	37.86	9.20	37.86	9.20
2047	37.86	8.76	37.86	8.76	37.86	8.76	37.86	8.76
2048	37.86	8.34	37.86	8.34	37.86	8.34	37.86	8.34
2049	37.86	7.95	37.86	7.95	37.86	7.95	37.86	7.95
2050	37.86	7.57	37.86	7.57	37.86	7.57	37.86	7.57
2051	37.86	7.21	37.86	7.21	37.86	7.21	37.86	7.21
2052	37.86	6.86	37.86	6.86	37.86	6.86	37.86	6.86
2053	37.86	6.54	37.86	6.54	37.86	6.54	37.86	6.54
2054	37.86	6.23	37.86	6.23	37.86	6.23	37.86	6.23
2055	37.86	5.93	37.86	5.93	37.86	5.93	37.86	5.93
2056	37.86	5.65	37.86	5.65	37.86	5.65	37.86	5.65
2057	37.86	5.38	37.86	5.38	37.86	5.38	37.86	5.38
2058	37.86	5.12	37.86	5.12	37.86	5.12	37.86	5.12
2059	37.86	4.88	37.86	4.88	37.86	4.88	37.86	4.88
2060	37.86	4.65	37.86	4.65	37.86	4.65	37.86	4.65

Table 26. Expected nominal and discounted fiscal outlay for all projects, all major 10, 5 and 3 projects (risk scenario - 30%):

Year	All Projects		TOP 10		TOP 5		TOP 3	
	Nominal	Discounted	Nominal	Discounted	Nominal	Discounted	Nominal	Discounted
2020	33.55	28.98						

2021	39.74	32.69	17.50	14.40				
2022	37.13	29.10	14.72	11.54				
2023	40.62	30.31	13.93	10.40	1.05	0.78		
2024	48.52	34.48	20.54	14.59	12.86	9.14	9.25	6.57
2025	152.50	103.22	79.29	53.66	69.65	47.14	66.04	44.70
2026	141.21	91.02	81.57	52.58	65.95	42.51	62.85	40.51
2027	135.90	83.43	86.49	53.10	79.25	48.65	79.25	48.65
2028	200.75	117.37	143.16	83.70	116.55	68.15	116.55	68.15
2029	185.43	103.26	133.58	74.38	130.84	72.86	130.84	72.86
2030	182.76	96.92	148.30	78.65	143.71	76.21	143.71	76.21
2031	179.69	90.76	141.11	71.27	138.24	69.82	138.24	69.82
2032	165.06	79.40	133.66	64.29	132.58	63.77	132.58	63.77
2033	170.18	77.96	151.18	69.26	152.12	69.69	152.12	69.69
2034	181.77	79.30	145.68	63.56	175.64	76.63	175.64	76.63
2035	170.47	70.83	168.10	69.85	175.64	72.98	175.64	72.98
2036	156.28	61.85	188.86	74.74	175.64	69.51	175.64	69.51
2037	144.41	54.43	188.86	71.18	175.64	66.20	175.64	66.20
2038	195.54	70.19	188.86	67.79	175.64	63.04	175.64	63.04
2039	186.31	63.69	188.86	64.56	175.64	60.04	175.64	60.04
2040	157.12	51.15	168.26	54.78	155.03	50.47	155.03	50.47
2041	148.99	46.20	168.26	52.17	155.03	48.07	155.03	48.07
2042	163.84	48.38	155.49	45.92	142.27	42.01	142.27	42.01
2043	123.80	34.82	63.66	17.90	50.44	14.19	50.44	14.19
2044	124.27	33.28	60.77	16.28	50.44	13.51	50.44	13.51
2045	50.44	12.87	50.44	12.87	50.44	12.87	50.44	12.87

2046	50.44	12.25	50.44	12.25	50.44	12.25	50.44	12.25
2047	50.44	11.67	50.44	11.67	50.44	11.67	50.44	11.67
2048	50.44	11.11	50.44	11.11	50.44	11.11	50.44	11.11
2049	50.44	10.59	50.44	10.59	50.44	10.59	50.44	10.59
2050	50.44	10.08	50.44	10.08	50.44	10.08	50.44	10.08
2051	50.44	9.60	50.44	9.60	50.44	9.60	50.44	9.60
2052	50.44	9.14	50.44	9.14	50.44	9.14	50.44	9.14
2053	50.44	8.71	50.44	8.71	50.44	8.71	50.44	8.71
2054	50.44	8.29	50.44	8.29	50.44	8.29	50.44	8.29
2055	50.44	7.90	50.44	7.90	50.44	7.90	50.44	7.90
2056	50.44	7.52	50.44	7.52	50.44	7.52	50.44	7.52
2057	50.44	7.16	50.44	7.16	50.44	7.16	50.44	7.16
2058	50.44	6.82	50.44	6.82	50.44	6.82	50.44	6.82
2059	50.44	6.50	50.44	6.50	50.44	6.50	50.44	6.50
2060	50.44	6.19	50.44	6.19	50.44	6.19	50.44	6.19

Table 27. TOP 10 PPA projects

#	Project Name	Installed Power (MW)	Annual generation (million kWh)
1	Khudoni	1,527.96	702.00
2	Namakhvani	1,496.00	433.00
3	Nenskra	1,219.00	280.00
4	Mtkvari 4	614.90	78.10
5	Dariali	500.00	108.00
6	Shuakhevi	455.00	178.72
7	Oni 1	441.20	122.46
8	Pharavani	431.63	86.54
9	Oni 2	339.00	83.70
10	Mtkvari	230.00	53.00

Assessment of PPP Liabilities

According to the Organic Law of Georgia on Economic Freedom, the debt ratio of the Georgian government to GDP should not exceed 60%. This limit should take into account the current value of government commitments under the Public-Private Partnership (PPP) projects.

Relevant commitments of PPP projects currently in place in the country have been assessed based on international best practice, in particular with the International Public Sector Accounting Standard – IPSAS 32.

Anaklia Black Sea deep sea port - On January 9, 2020, the Government of Georgia terminated the investment agreement „On Construction, Operation and Transfer (BOT) of the Black Sea Deep Sea Port in Anaklia" (signed on October 3, 2016) with „Anaklia Development Consortium LLC" due to nonfulfillment of the contractual obligations by the private partner. On July 29, 2020, a private partner, the „Anaklia Development Consortium", filed a lawsuit in the International Court of Arbitration of the International Chamber of Commerce and began a dispute against the state. Taking into account above mentioned circumstances, we consider it unreasonable to recognize the obligations within the standard. At the end of 2018 the liability deriving from „Anaklia Port" was estimated at GEL 169,705,000.

Nenskra Hydro Power Plant - Nenskra HPP project is being implemented by JSC Nenskra Hydro, which was established in 2015 as a result of cooperation between the Korean Water Resources Corporation - K-Water (investor) and JSC "Partnership Fund". JSC Partnership Fund owns 8% of the company shares. There is a BOT agreement signed with the operator, stipulating for the free of charge transfer of the HPP to the state ownership 36 years after the HPP is commissioned. The project meets the criteria of public-private partnership defined by the legislation of Georgia and the obligations arising from it can be assessed based on the principles set out in the IPSAS 32 standard. In particular, we must recognize liabilities equal to the value of created long-term asset, reduced by the fund's share in the company's total equity, because the fund represents the state. According to the audited report of JSC Nenskra Hydro, the value of long-term asset created by the company at the end of 2019 is 302 488 000 GEL. According to the methodology, the PPP liability from the project at the end of 2019 amounts to 266 761 440 GEL.

Tbilisi Shota Rustaveli International Airport - The project envisages the lease of Tbilisi International Airport, its development, purchase of necessary equipment and construction of new buildings by a private partner, „TAV Urban Georgia Ltd". The parties of the contract are „TAV Urban Georgia" and „United Airports of Georgia LLC". „TAV Urban Georgia" is responsible for the management and development of Tbilisi Airport, and „United Airports of Georgia" is responsible for supervising and assisting it within its competence. The initial agreement entered into force on September 6, 2005 and the new version of the agreement was signed in May 2015. According to the new version of the 2005 agreement, TAV Urban Georgia Ltd will operate and maintain Tbilisi International Airport until January 2027. From 2027 the airport will be transferred to state ownership free of charge. At present, the investments made by the operator include: construction of several terminals, arrangement of a parking lot, rehabilitation of the runway, traffic lane and platform.

„United Airports of Georgia LLC”, in accordance with IPSAS 32, reports the investments made by the operator in the item of deferred revenue (non-financial liability), which is amortized during the term of the concession agreement. Furthermore, the rate of investments made by TAV Urban Georgia differs from the amount reported in the balance sheet of United Airports of Georgia, as United Airports of Georgia recognizes the asset in the amount determined on the basis of the assessment made by an independent appraiser. According to the audited report of United Airports of Georgia for 2019, the balance of deferred revenue as of 31/12/2019 is 122 028 000 GEL

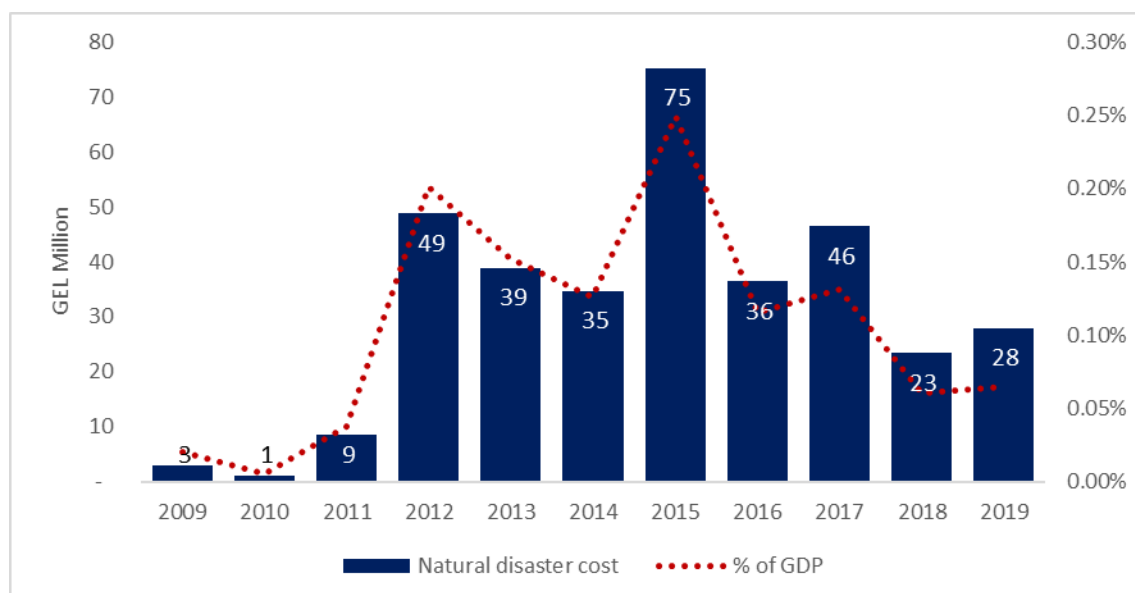
According to the above reasoning, the volume of PPP liabilities as of January 1, 2020 is 388 789 440 GEL (266 761 440 +122 028 000).

Risks from Natural Disaster

Georgia due to its location is vulnerable to the catastrophes caused by natural factors. Any resources directed to the elimination of consequences of natural disasters may have a significant fiscal impacts on the state budget and the development of economy of Georgia.

In accordance with the data of recent years, the number of hydrometeorological disasters has increased by 15% on average and the number of geological disasters has increased by 58% on average.

The highest figure of the state budget allocation for elimination of the damage caused by natural disasters in 2009-2019 was 75 million GEL in 2015 which in total amounted only to 0.24% of GDP (including, 33 million GEL for liquidation of consequences of Tbilisi flood).



In accordance with 2009-2019 data, the finances diverted to elimination of the damage caused by natural disasters do not exceed 1% of the GDP. The fund of projects to be implemented in the regions of Georgia

plays the „buffer role“, therefore such expenses do not make any significant impact on the state budget and the natural disasters cannot be deemed as a fiscal risk.

In addition, the pandemic is a form of natural disasters. COVID-19 has shown how important it is for a country to be prepared to take on similar types of risks.

The Ministry of Finance of Georgia continues to work on identifying, analyzing, mitigating the negative consequences of natural disasters and introducing the best mechanisms to completely prevent them.

Appendix

Appendix 1

Subsidiaries of state-owned enterprises

N	SOE Name	state share in %	Founder	Sectorization PC/GG
1	LTD Gardabani Thermal Power Plant	49,1/50,9	JSC Partnership Fund / JSC Georgian Oil and Gas Corporation	PC
2	LTD Enguri Tourist Center	100	JSC Georgian Energy Development Fund	GG
3	LTD Borjomhesi	100	JSC Georgian Energy Development Fund	GG
4	JSC Namakhvani	100	JSC Georgian Energy Development Fund	GG
5	JSC Geohydro	15	JSC Georgian Energy Development Fund	GG
6	LTD Kvirilahesi	20	JSC Georgian Energy Development Fund	GG
7	LTD Akhalsopelihesi	100	JSC Georgian Energy Development Fund	GG
8	JSC Chalik Georgia Wind	15	JSC Georgian Energy Development Fund	GG
9	JSC Alternative Energy Company	15	JSC Georgian Energy Development Fund	GG
10	LTD Qareli Wind Farm	40	JSC Georgian Energy Development Fund	GG
11	LTD Georgian Solar Company	10	JSC Georgian Energy Development Fund	GG
12	LTD Zestaponi Wind Power Plant	10	JSC Georgian Energy Development Fund	GG
13	LTD Chordulahesi	45	JSC Georgian Energy Development Fund	GG
14	LTD Maganahesi	49	JSC Georgian Energy Development Fund	GG
15	LTD Artana Lopota	20	JSC Georgian Energy Development Fund	GG
16	LTD Ruis Wind Power Plant	10	JSC Georgian Energy Development Fund	GG

17	LTD Enguri Hydro-Accumulating Power Plant	40	JSC Georgian Energy Development Fund/ JSC Georgian Oil and Gas Corporation/LTD Engurhesi	GG
18	LTD Gardabani Thermal Power Plant 2	100	JSC Georgian Oil and Gas Corporation	PC
19	LTD Georgian Gas Storage Company	100	JSC Georgian Oil and Gas Corporation	GG
20	GOGC Trading S.A.	100	JSC Georgian Oil and Gas Corporation	GG
21	LTD GR Property Management	100	JSC Georgian Railway	PC
22	LTD GR Transit	100	JSC Georgian Railway	PC
23	Georgia Transit Line Ltd.	100	JSC Georgian Railway	PC
24	LTD GR Logistics and Terminals	100	JSC Georgian Railway	PC
25	LTD GR Trans-Shifment	100	JSC Georgian Railway	PC
26	LTD GR Georgia Transit	100	JSC Georgian Railway	PC
27	JSC Georgian Railway Construction	100	JSC Georgian Railway	GG
28	Energotrans Ltd.	100	JSC Georgian State Electrosystem	PC
29	JSC Karchal Energy	100	JSC Georgian State Electrosystem	GG
30	JSC Georgian Energy Exchange	50	JSC Georgian State Electrosystem, JSC Electricity System Commercial Operator	GG
31	LTD Sakpressa +	100	JSC Sakpressa	GG
32	Tbilisi N1 Lung Diseases Outpatient Clinic	100	JSC National Center for Tuberculosis and Lung Diseases	GG
33	Tbilisi N2 Lung Diseases Outpatient Clinic	100	JSC National Center for Tuberculosis and Lung Diseases	GG
34	LTD Abastumani Lung Center	100	JSC National Center for Tuberculosis and Lung Diseases	GG
35	JSC Georgian Film	100	JSC Georgian Film Development Center	GG
36	LTD Magazine Anaklia	100	LTD Anaklia Development Consortium	GG
37	LTD Saksepetstrans	100	LTD Asset Management and Development Company	GG
38	LTD Georgian National Center of High Technologies	100	LTD Asset Management and Development Company	PC

39	LTD Samtomashveli	100	LTD Asset Management and Development Company	PC
40	LTD Tbilisi State Concert Hall	100	LTD Asset Management and Development Company	GG
41	LTD Special Cap Service	100	LTD Asset Management and Development Company	GG
42	LTD Georgia, Maritime Navigation	100	LTD Asset Management and Development Company	PC
43	JSC Resort Menji	100	LTD Asset Management and Development Company	GG
44	LTD Zugdidi Preventive Disinfection Department	100	LTD Specialized Epidemiological Surveillance Center for Disinfection, Disinsection and Sterilization	GG
45	LTD Fashion Lyceum	100	LTD Demetre 96	GG
46	LTD National Product Sales Service	100	LTD Demetre 96	GG
47	LTD Vardnil HPP Cascade	100	LTD Engurhesi	PC
48	JSC "Tam" Tbilaviamsheni	93	LTD Tbilaviamsheni	PC
49	JSC Givi Zaldastanishvili American Academy in Tbilisi	0,05	LTD Tbilaviamsheni	GG
50	LTD Tam-Kera	100	LTD Tbilaviamsheni	GG
51	LTD Tam-Polymer	100	LTD Tbilaviamsheni	GG
52	LTD Tam-Energy	100	LTD Tbilaviamsheni	GG
53	LTD Tam-Valley	100	LTD Tbilaviamsheni	GG
54	LTD Georgian Fruit and Vegetable Export Company	100	LTD Tbilisi Logistics Center	GG
55	LTD Georgian Product	100	LTD Tbilisi Logistics Center	GG
56	LTD Tbilisi Children's Infectious Clinical Hospital	100	LTD Clinics Development Company	PC
57	LTD Academician Nikoloz Kipshidze Central University Clinic	100	LTD Clinics Development Company	PC
58	JSC Universal Medical Center	100	LTD Clinics Development Company	GG
59	JSC Sanatorium Railway	100	LTD Rehabilitation	GG
60	LTD GeoBook	100	LTD Rehabilitation	GG

61	LTD Scientific-Practical Center of Clinical Pathology	100	LTD Rehabilitation	GG
62	LTD Kutaisi Press House	100	LTD Rehabilitation	GG
63	LTD Bolnisi Agrobazar	100	LTD Rehabilitation	GG
64	LTD Saknavtprodukti	100	LTD Rehabilitation	GG
65	LTD Technical Specialists Training Center	100	LTD Rehabilitation	GG
66	LTD Georgian Greenhouse Company	100	LTD Rehabilitation	GG
67	LTD Vakhtang Bochorishvili Anti-Sepsis Center	100	LTD Rehabilitation	GG
68	JSC Teko	90	LTD Rehabilitation	GG
69	JSC Marble	56	LTD Rehabilitation	GG
70	LTD Anaklia 2018	100	LTD Rehabilitation	GG
71	LTD Georgian Traditions	100	LTD Rehabilitation	GG
72	LTD Sakcoopservice	100	LTD Rehabilitation	GG
73	LTD Gino Green City Corporation	49	LTD Partnership Fund Green Development	GG
74	LTD Kutaisi Davit Agmashenebeli International Airport	100	LTD Georgian Airports Association	GG
75	LTD Inter Glass-Georgia	40	LTD Georgian Gas Transportation Company	GG
76	LTD Georgian Kargo	100	LTD Georgian Post	GG
77	Georgian Post (Greece)I.K.E	100	LTD Georgian Post	GG
78	LTD Georgian Post (Greece)	100	LTD Georgian Post	GG
79	Poti Fiz Ltd Communal Management TZK	100	LTD Poti Free Industrial Zone	GG
80	LTD Kutaisi Regional Narcology Center	100	LTD Mental Health and Drug Prevention Center	GG
81	LTD Tsalenjikha Agrarian Market	100	LTD Georgian Bazaar	GG
82	LTD GR Borjomi-Bakuriani	100	LTD GR Property Management	GG

Appendix 2

State-owned enterprises

N	SOE Name	state share in %	Founder	Economic Activity	Turnover	Number of employees (2019 (December))	Sectorization PC/GG
1	Autozaz Ltd.	5,3	Ministry of Economy and Sustainable Development of Georgia	Real Estate transactions, leasing and customer service	13 249	3	GG
2	Pelicom Ltd.	2	Georgian Chamber of Commerce and Industry	Transport and communication	72 539	8	GG
3	Newspaper Vrastani Ltd.	51	Ministry of Economy and Sustainable Development of Georgia	Communal, social and personal services	0	17	GG
4	Ltd. Restaurant Baghdati	51	Ministry of Economy and Sustainable Development of Georgia	Real Estate transactions, leasing and customer service	1 830	0	GG
5	EXPRESS LTD	70	Ministry of Economy and Sustainable Development of Georgia	Real Estate transactions, leasing and customer service	245 540	7	PC
6	Ltd. Food Production Company	63	Ministry of Economy and Sustainable Development of Georgia	Manufacturing	87 549	1	GG
7	Ltd. ijie	50	Ministry of Economy and Sustainable Development of Georgia	Manufacturing	247 010	7	GG
8	Ltd. Company Imeretmsheni-2000	5	Ministry of Economy and Sustainable Development of Georgia	Construction	0	0	GG
9	Academy of the Georgian Chamber of Commerce and Industry Ltd.	30	Georgian Chamber of Commerce and Industry	Human health and social work activities	0	0	GG

10	Union Ltd.	20	Ministry of Economy and Sustainable Development of Georgia	Real Estate transactions, leasing and customer service	27 751	3	GG
11	Martvili Central Group Ltd.	79,8	Martvili Municipality	Communal, social and personal services	0	4	GG
12	Ltd. Forming Sands	49	Ministry of Economy and Sustainable Development of Georgia	Mining	415 922	32	GG
13	Gurjistan Newspaper Ltd.	51	Ministry of Economy and Sustainable Development of Georgia	Communal, social and personal services	0	0	GG
14	Royal District Theater Ltd.	49	Tbilisi Municipality	Real Estate transactions, leasing and customer service	202 000	29	GG
15	Anaklia Development Consortium Ltd.	0,01%	Ministry of Economy and Sustainable Development of Georgia	Real Estate transactions, leasing and customer service	69 933	2	GG
16	Poti Free Industrial Zone Ltd.	10	Ministry of Economy and Sustainable Development of Georgia	Real Estate transactions, leasing and customer service	4 111 629	20	GG
17	Chateau Zegaani Ltd.	3	Ministry of Economy and Sustainable Development of Georgia	Manufacturing	173 141	21	GG
18	Deo-Clock Ltd.	20	Ministry of Economy and Sustainable Development of Georgia	Manufacturing	0	0	GG
19	Bistro Ltd.	25	Ministry of Economy and Sustainable Development of Georgia	Real Estate transactions, leasing and customer service	0	3	GG
20	Chiatura Bus Station Ltd.	49	Ministry of Economy and Sustainable Development of Georgia	Transport and communication	797 254	15	GG

21	Ltd. Acad. B. Naneishvili National Center for Mental Health	5	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	248 549	399	GG
22	Ltd. LJ & Company - Center for Tuberculosis and Infectious Diseases of Western Georgia	5	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	3 492 595	190	GG
23	Georgian Lottery Company Ltd.	70	Ministry of Economy and Sustainable Development of Georgia	Communal, social and personal services	0	7	PC
24	Ltd. Football Club Sagarejo Gareji	40	Sagarejo Municipality	Communal, social and personal services	0	29	GG
25	Ltd. Mountain Resorts Development Company	100	Ministry of Economy and Sustainable Development of Georgia	Transport and communication	26 265 595	542	GG
26	Zugdidi Pharmacy Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Trading	509	4	PC
27	Senaki Mental Health Center Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	0	0	GG
28	Ltd. st. Batumi Regional Center for Infectious Diseases, AIDS and Tuberculosis	100	Batumi Municipality	Human health and social work activities	499 563	195	GG
29	Ltd. st. Batumi Republican Clinical Hospital	100	Batumi Municipality	Human health and social work activities	1 497 737	510	GG
30	Batumi Oil Refinery Ltd.	100	Batumi Municipality	Real Estate transactions, leasing and customer service	807 213	23	PC
31	Adjara Asset Management Company Ltd.	100	Batumi Municipality	Real Estate transactions, leasing and customer service	0	7	GG
32	Ltd., Batumi №1 Polyclinic	100	Batumi Municipality	Human health and social work activities	601 305	186	GG

33	Kvemo Kartli Regional Blood Transfusion Station Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	1 730	4	GG
34	Largvisi Medical Outpatient Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	0	0	GG
35	Ltd. is an outpatient outpatient clinic	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	0	3	GG
36	Kumisi Outpatient Clinic Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	7	6	GG
37	Gori Dental Polyclinic Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	8 895	0	GG
38	Kurta Hospital Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	0	75	GG
39	Telavi Psychoneurological Dispensary Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	56 045	24	GG
40	Manglisi Hospital Polyclinic Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	978	20	GG
41	Grigol Ormotsadze Center Neuron Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	7 525	13	GG
42	Dastakari Ltd.	100	Tbilisi Municipality	Human health and social work activities	771	11	GG
43	East Georgia Mental Health Center Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	150	125	GG
44	Rustavi Skin and Venereal Diseases Dispensary	100	Rustavi Municipality	Human health and social work activities	117 760	18	GG

45	Rustavi Mental Health Center Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	11 250	84	GG
46	Regional Health Center Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	3 335 780	1 176	GG
47	Kutaisi Regional Blood Bank Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	58 701	46	GG
48	Shida Kartli Primary Health Care Center Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	1 030	114	GG
49	Batumi Seaport Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Trading	43 395 099	706	PC
50	Batumi Airport Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Trading	29 677 138	158	PC
51	Marine Texservice Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Manufacturing	465 547	13	GG
52	Samtredia Herald Ltd.	100	Samtredia Municipality	Communal, social and personal services	0	14	GG
53	Ltd. Kutaisi Adult Polyclinic N5	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	45 168	46	GG
54	Ltd. Kutaisi d. Nazarishvili Family Medicine and Family Medicine Training Center	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	370 488	98	GG
55	Tskaltubo Polyclinic for Internally Displaced Persons from Abkhazia Ltd.	100	State body Autonomous Republic of Abkhazia	Human health and social work activities	48 884	21	GG

56	Khobi Polyclinic for Internally Displaced Persons from Abkhazia	100	State body Autonomous Republic of Abkhazia	Human health and social work activities	3 995	18	GG
57	Ltd. is an outpatient clinic for IDPs from Abkhazia	100	State body Autonomous Republic of Abkhazia	Human health and social work activities	29 400	21	GG
58	Poti Polyclinic for Internally Displaced Persons from Abkhazia	100	State body Autonomous Republic of Abkhazia	Human health and social work activities	6 177	19	GG
59	Adjara Technical Specialists Training Center Ltd.	100	Batumi Municipality	Human health and social work activities	35 269	8	GG
60	Family Medicine Center Ltd - Abkhazia	100	State body Autonomous Republic of Abkhazia	Human health and social work activities	31 763	42	GG
61	Adam Beridze Soil and Food Diagnostic Center "Anaseuli" Ltd	100	Ministry of Economy and Sustainable Development of Georgia	Real Estate transactions, leasing and customer service	451 995	29	GG
62	Newspaper Adjara and Adjara Ltd.	100	Batumi Municipality	Communal, social and personal services	0	31	GG
63	Senaki IDP Polyclinic Ltd.	100	State body Autonomous Republic of Abkhazia	Human health and social work activities	12 431	31	GG
64	Ltd. IDP Family Medicine Center - Bichvinta	100	State body Autonomous Republic of Abkhazia	Human health and social work activities	20 504	31	GG
65	Zugdidi Polyclinic for Internally Displaced Persons from Abkhazia Ltd.	100	State body Autonomous Republic of Abkhazia	Human health and social work activities	171 619	51	GG
66	United Water Supply Company of Georgia Ltd.	100	Ministry of Regional Development and Infrastructure of Georgia	Electricity, gas and water production and distribution	47 620 082	2 724	GG
67	Ltd. Shopping Center 2009	100	Batumi Municipality	Real Estate transactions, leasing and customer service	3 122 576	64	PC
68	Ltd. Adjara Waste Management Company	100	Batumi Municipality	Real Estate transactions, leasing and customer service	0	26	GG

69	Goderdzi Resorts Ltd.	100	Batumi Municipality	Hotels and restaurants	34 499	11	GG
70	International Arbitration with the Chamber of Commerce and Industry of Adjara Ltd.	100	Batumi Municipality	Real Estate transactions, leasing and customer service	0	4	GG
71	City Blood Transfusion Station Ltd.	100	Tbilisi Municipality	Human health and social work activities	20 315	31	GG
72	Georgian Post Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Transport and communication	86 984 599	2 495	PC
73	Georgian TV and Radio Center Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Transport and communication	4 709 624	210	PC
74	Ltd. Social Rehabilitation Center for Persons with Disabilities	100	Ministry of Economy and Sustainable Development of Georgia	Manufacturing	127 793	44	GG
75	Ltd. Tbilisi N1 Dental Polyclinic	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	20 511	12	GG
76	Sakaeronavigatsia Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Trading	76 118 639	811	PC
77	Sportmshenservice Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Communal, social and personal services	4 129 820	171	GG
78	Ltd. Tbilisi Mental Health Center	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	28 009	163	GG
79	Outpatient Medical Rehabilitation Center Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	49 013	24	GG
80	Ltd. Specialized Epidemiological Surveillance	100	Ministry of Economy and Sustainable Development of Georgia	Communal, social and personal services	0	8	GG

	Center for Disinfection, Disinsection and Sterilization						
81	Ltd. V. Sanikidze War Veterans Clinical Hospital	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	0	25	GG
82	Rehabilitation Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Real Estate transactions, leasing and customer service	245 056	10	PC
83	Georgian Gas Transportation Company Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Transport and communication	144 317 820	839	PC
84	Sakexpertiza Ltd.	100	Georgian Chamber of Commerce and Industry	Real Estate transactions, leasing and customer service	148 692	14	GG
85	Engurhesi Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Electricity, gas and water production and distribution	60 939 579	996	PC
86	GCCI Service Ltd.	100	Georgian Chamber of Commerce and Industry	Real Estate transactions, leasing and customer service	217 738	7	GG
87	Tbilaviamsheni Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Trading	484 423	14	PC
88	Ltd. State Construction Company	100	Ministry of Economy and Sustainable Development of Georgia	Construction	1 671 370	67	GG
89	Ltd. Wine Laboratory	100	Ministry of Economy and Sustainable Development of Georgia	Real Estate transactions, leasing and customer service	1 532 430	23	PC
90	Ltd. IDP Family Medicine Center	100	State body Autonomous Republic of Abkhazia	Human health and social work activities	197 443	51	GG
91	Zaur Khubutia IDP Family Medicine Center Ltd. Dioscuria	100	State body Autonomous Republic of Abkhazia	Human health and social work activities	48 770	26	GG

92	Family Medicine Center Tskhumi Ltd.	100	State body Autonomous Republic of Abkhazia	Human health and social work activities	13 845	17	GG
93	Demeter Ltd 96	100	Ministry of Economy and Sustainable Development of Georgia	Manufacturing	0	0	GG
94	Abkhazia Psychoneurological Dispensary Ltd.	100	State body Autonomous Republic of Abkhazia	Human health and social work activities	0	11	GG
95	Marabda-Kartsakhi Railway Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Construction	3 779 959	81	
96	Georgian Land Reclamation Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Agriculture, hunting and forestry	8 861 772	1 432	GG
97	Service Ltd - 7	100	Ministry of Economy and Sustainable Development of Georgia	Communal, social and personal services	2 295 924	69	PC
98	Delta International Ltd.	100	Ministry of Defense of Georgia	Trading	715 747	33	PC
99	Construction Company Ltd. - Builder 2011	100	Ministry of Defense of Georgia	Construction	20 067 650	71	GG
100	Georgian Oil and Gas Service Company Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Real Estate transactions, leasing and customer service	0	0	GG
101	Medical dispensary Ltd. Ponichala	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	14 888	21	GG
102	Georgian Food Company Ltd.	100	Ministry of Defense of Georgia	Hotels and restaurants	0	8	GG
103	Dinamo Batumi Ltd.	100	Batumi Municipality	Communal, social and personal services	749 872	112	PC
104	Georgian Airports Association Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Trading	61 662 803	449	PC

105	Thermal Waters Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Manufacturing	204 068	13	PC
106	Georgian Solid Waste Management Company Ltd.	100	Ministry of Regional Development and Infrastructure of Georgia	Communal, social and personal services	486 311	318	GG
107	Adjara Project Management Company Ltd.	100	Batumi Municipality	Construction	0	20	GG
108	Ltd. Mental Health and Drug Prevention Center	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	13 714 652	683	GG
109	Adjara Expertise Ltd.	100	Batumi Municipality	Real Estate transactions, leasing and customer service	29 923	3	GG
110	Ltd. Asset Management and Development Company	100	Ministry of Economy and Sustainable Development of Georgia	Real Estate transactions, leasing and customer service	6 669 320	117	GG
111	Ltd. State Food Provision	100	Ministry of Economy and Sustainable Development of Georgia	Hotels and restaurants	28 621 025	1 161	GG
112	Black Sea Arena Georgia Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Communal, social and personal services	2 941 595	116	GG
113	Akhlagori District Polyclinic Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	0	26	GG
114	Akhlagori Rice Hospital Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	0	26	GG
115	Ltd. Adult and Pediatric Pathology Scientific-Practical Center	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	1 895	0	GG

116	Potikalakproekti Ltd.	100	Poti Municipality	Real Estate transactions, leasing and customer service	70 659	13	GG
117	Senaki Maternity Hospital Ltd.	100	Senaki Municipality	Human health and social work activities	21 324	6	GG
118	Information Center Ltd.	100	Senaki Municipality	Communal, social and personal services	0	5	GG
119	Outpatient-polyclinic association Ltd.	100	Senaki Municipality	Human health and social work activities	36 211	53	GG
120	Senaki Children's Hospital Ltd.	100	Senaki Municipality	Human health and social work activities	19 527	70	GG
121	Senaki Hospital-Polyclinic Association Ltd.	100	Senaki Municipality	Human health and social work activities	32 192	31	GG
122	Ltd. Football Club Miner	100	Tkibuli Municipality	Communal, social and personal services	0	32	GG
123	Geguti Polyclinic Ltd.	100	Tskaltubo Municipality	Human health and social work activities	42 033	24	GG
124	Abasha Road Division Ltd.	100	Abasha Municipality	Construction	211 080	29	GG
125	Borjomi Improvement Ltd.	100	Borjomi Municipality	Transport and communication	26 934	4	GG
126	Kojori Medical Outpatient Ltd.	100	Tbilisi Municipality	Human health and social work activities	11 014	19	GG
127	Ltd. Design Organization Architect	100	Gors Municipality	Real Estate transactions, leasing and customer service	0	4	GG
128	Shatili Medical Outpatient Ltd.	100	Dusheti Municipality	Human health and social work activities	0	3	GG
129	Barisakho Outpatient Ltd is a day hospital	100	Dusheti Municipality	Human health and social work activities	0	8	GG
130	Child Health Center Ltd.	100	Telavi Municipality	Human health and social work activities	133 723	118	GG
131	Tushetgza Ltd.	100	Akhmeta Municipality	Construction	167 323	15	GG
132	New Gantiadi Ltd.	100	Kaspi Municipality	Communal, social and personal services	564	3	GG

133	Architect Ltd.	100	Lagodekhi Municipality	Real Estate transactions, leasing and customer service	0	3	GG
134	Sachkhere Water Supply Ltd.	100	Sachkhere Municipality	Electricity, gas and water production and distribution	633 703	84	GG
135	Tsageri Car-Tractor Park Ltd.	100	Tsageri Municipality	Construction	0	4	GG
136	Abkhazia Ltd.	100	Khobi Municipality	Communal, social and personal services	0	27	GG
137	Ltd. Mzia Nikolaishvili Surami Polyclinic	100	Khashuri Municipality	Human health and social work activities	17 341	42	GG
138	Improvement Ltd.	100	Rustavi Municipality	Communal, social and personal services	37 358	6	GG
139	Kveshi Medical Outpatient Clinic	100	Bolnisi Municipality	Human health and social work activities	2 458	10	GG
140	Des-Effect Ltd.	100	Bolnisi Municipality	Communal, social and personal services	0	17	GG
141	LTD Football Club Sioni Ltd	100	Bolnisi Municipality	Communal, social and personal services	1 271 012	54	GG
142	Hospital-Polyclinic Association Ltd.	100	Bolnisi Municipality	Human health and social work activities	10 280	24	GG
143	Newspaper Bolnisi Ltd.	100	Bolnisi Municipality	Communal, social and personal services	0	15	GG
144	Communal Services Ltd.	100	Bolnisi Municipality	Communal, social and personal services	0	0	GG
145	Kobuleti Preventive Disinfection Station Ltd.	100	Kobuleti Municipality	Communal, social and personal services	0	3	GG
146	Kobuleti Transregulation Ltd.	100	Kobuleti Municipality	Transport and communication	449 889	41	GG
147	Keda Road Transport Enterprise Ltd.	100	Keda Municipality	Transport and communication	0	14	GG
148	Lanchkhuti Ltd.	100	Lanchkhuti Municipality	Trading	0	29	GG
149	Mestia Municipality Transport Ltd.	100	Mestia Municipality	Trading	270 613	0	GG

150	Terjola Ltd.	100	Terjola Municipality	Trading	0	12	GG
151	Ltd. Sports Complex - Samtredia	100	Samtredia Municipality	Real Estate transactions, leasing and customer service	22 555	41	GG
152	Gardabanproject Ltd.	100	Gardabani Municipality	Real Estate transactions, leasing and customer service	0	6	GG
153	Ltd. screamed	100	Zestaponi Municipality	Real Estate transactions, leasing and customer service	58 780	16	GG
154	Bolnisi Culture and Recreation Park Ltd.	100	Bolnisi Municipality	Communal, social and personal services	1 500	18	GG
155	Dusheti Disinfection Service Ltd.	100	Dusheti Municipality	Communal, social and personal services	0	5	GG
156	Tushuri Sheep Breeding Ltd	100	Akhmeta Municipality	Manufacturing	18 309	0	GG
157	Nikozi Outpatient Clinic Ltd.	100	Gori Municipality	Human health and social work activities	23 911	22	GG
158	Automotive Enterprise Ltd. - 2006	100	Dusheti Municipality	Transport and communication	181 302	6	GG
159	Kutaisi N4 Mixed Polyclinic Ltd.	100	Kutaisi Municipality	Human health and social work activities	286 697	120	GG
160	Ltd. Panacea	100	Kazbegi Municipality	Trading	155 973	2	GG
161	Basketball Club Ltd - Rustavi 1991	100	Rustavi Municipality	Communal, social and personal services	0	37	GG
162	Rustavi Municipal Road Transport Enterprise Ltd.	100	Rustavi Municipality	Transport and communication	191 803	123	GG
163	Khobi Cleaning and Lighting Ltd.	100	Khobi Municipality	Communal, social and personal services	34 067	66	GG
164	Tetritskaro Service Group Ltd.	100	Tetritskaro Municipality	Communal, social and personal services	822 915	102	GG
165	Fleet of Marneuli Municipality Ltd.	100	Marneuli Municipality	Transport and communication	375 128	63	GG
166	Poti City Transport Ltd.	100	Poti Municipality	Transport and communication	0	10	GG

167	Kutaisi Elevator Ltd.	100	Kutaisi Municipality	Communal, social and personal services	0	6	GG
168	B. Gabashvili Culture and Recreation Park Ltd.	100	Kutaisi Municipality	Communal, social and personal services	486 960	17	GG
169	Tsalka Municipality Car Service Ltd.	100	Tsalka Municipality	Transport and communication	0	6	GG
170	Sagarejo Municipality Information Newspaper Gareji Matsne Ltd.	100	Sagarejo Municipality	Communal, social and personal services	0	5	GG
171	Keda Communal Service Ltd.	100	Keda Municipality	Communal, social and personal services	595 784	57	GG
172	Batumi Water Ltd	100	Batumi Municipality	Manufacturing	16 697 395	595	PC
173	Batumi Autotransport Ltd.	100	Batumi Municipality	Transport and communication	4 927 025	651	GG
174	Ltd. Sanitation	100	Batumi Municipality	Communal, social and personal services	10 188 223	688	GG
175	Ltd. Football Club Bethlehem	100	Keda Municipality	Communal, social and personal services	0	32	GG
176	Kedi Water Channel Ltd.	100	Keda Municipality	Manufacturing	0	40	GG
177	Zugdidi Municipal Transport Ltd.	100	Zugdidi Municipality	Transport and communication	0	62	GG
178	ANAKLIA-GANMUKHURI RESORTS LTD	100	Zugdidi Municipality	Construction	3 941	26	GG
179	Ltd. Football Club Kolkheti 1913	100	Poti Municipality	Communal, social and personal services	0	35	GG
180	Kobuleti Water Ltd	100	Kobuleti Municipality	Manufacturing	898 017	0	GG
181	Ltd. Football Club Shukura	100	Kobuleti Municipality	Communal, social and personal services	0	72	GG
182	Ltd. Football Club Torpedo Kutaisi	100	Kutaisi Municipality	Communal, social and personal services	297 119	58	GG
183	Ltd. Basketball Club Kutaisi-2010	100	Kutaisi Municipality	Communal, social and personal services	0	31	GG

184	Black Sea Flora and Fauna Research Center Ltd.	100	Batumi Municipality	Real Estate transactions, leasing and customer service	4 346 980	96	PC
185	Khashuri Disinfection, Disinsection, Deratization and Sterilization Service Ltd	100	Khashuri Municipality	Communal, social and personal services	0	5	GG
186	Ltd. Football Club Chiatura	100	Chiatura Municipality	Communal, social and personal services	0	23	GG
187	Volleyball Club Batumi Ltd.	100	Batumi Municipality	Communal, social and personal services	0	18	GG
188	Handball Club Batumi	100	Batumi Municipality	Communal, social and personal services	0	23	GG
189	Ltd. Basketball Club Batumi - 2010	100	Batumi Municipality	Communal, social and personal services	0	21	GG
190	Ltd. Rugby Club Batumi	100	Batumi Municipality	Communal, social and personal services	0	106	GG
191	Ltd. Water Polo Club Batumi	100	Batumi Municipality	Communal, social and personal services	0	6	GG
192	Khelvachauri Water Canal Ltd.	100	Khelvachauri Municipality	Manufacturing	0	110	GG
193	Marneuli Soptskali Ltd.	100	Marneuli Municipality	Manufacturing	467 857	137	GG
194	Tskneti Medical Outpatient Clinic	100	Tbilisi Municipality	Human health and social work activities	30 101	22	GG
195	Hermes Ltd.	100	Tbilisi Municipality	Communal, social and personal services	4 268 655	229	PC
196	Ltd Adult Polyclinic N25, Tbilisi	100	Tbilisi Municipality	Human health and social work activities	79 054	50	GG
197	Ltd. st. Tbilisi N3 Medical Prophylactic Center	100	Tbilisi Municipality	Human health and social work activities	239 945	147	GG
198	Tbilisi №4 Family Medicine Center Ltd.	100	Tbilisi Municipality	Human health and social work activities	561 328	95	GG
199	Lilo Medical Center Ltd.	100	Tbilisi Municipality	Human health and social work activities	43 663	32	GG

200	Ltd. Sports Palace	100	Tbilisi Municipality	Real Estate transactions, leasing and customer service	1 791 974	45	PC
201	Tbilisi Transport Company Ltd.	100	Tbilisi Municipality	Transport and communication	170 865 550	6 302	PC
202	Mushtaidi Culture and Recreation Park Ltd.	100	Tbilisi Municipality	Communal, social and personal services	767 649	63	PC
203	Tbilservice Group Ltd.	100	Tbilisi Municipality	Communal, social and personal services	76 029 961	4 983	GG
204	Rose Revolution Park Ltd.	100	Tbilisi Municipality	Communal, social and personal services	152 575	21	PC
205	Aquatic Species Center-Tonus Ltd.	100	Tbilisi Municipality	Real Estate transactions, leasing and customer service	502 283	36	GG
206	Ilia Garden Ltd.	100	Tbilisi Municipality	Real Estate transactions, leasing and customer service	383 580	9	PC
207	Georgian Traditions 2011	100	Tbilisi Municipality	Communal, social and personal services	0	84	GG
208	Shirak Ltd.	100	Dedoplistskaro Municipality	Communal, social and personal services	0	11	GG
209	Marneuli Organic Waste Processing Enterprise Ltd.	100	Marneuli Municipality	Manufacturing	10 381	12	GG
210	Mtskheta Soptskali Ltd.	100	Mtskheta Municipality	Construction	0	92	GG
211	Bolnisi Municipal Transport Service Ltd.	100	Bolnisi Municipality	Transport and communication	627 359	50	GG
212	Dusheti Agrarian Market Ltd.	100	Dusheti Municipality	Real Estate transactions, leasing and customer service	37 515	16	GG
213	Ltd. Rugby Club Ponto	100	Kobuleti Municipality	Communal, social and personal services	0	13	GG
214	Machakhela Football Club Ltd.	100	Khelvachauri Municipality	Communal, social and personal services	0	26	GG

215	Ltd. Rugby Club Firals	100	Keda Municipality	Communal, social and personal services	0	10	GG
216	Ritual Service Agency Ltd.	100	Bolnisi Municipality	Real Estate transactions, leasing and customer service	0	0	GG
217	Akhalkalaki Agrarian Market Ltd.	100	Akhalqalaqi Municipality	Real Estate transactions, leasing and customer service	48 524	5	GG
218	Chokhatauri Agrarian Market Ltd.	100	Chokhatauri Municipality	Real Estate transactions, leasing and customer service	26 939	11	GG
219	Ltd. Football Club Rustavi	100	Rustavi Municipality	Trading	128 093	65	GG
220	Parking Service Ltd.	100	Kutaisi Municipality	Transport and communication	456 702	35	GG
221	Ltd. Football Club-Gardabani	100	Gardabani Municipality	Communal, social and personal services	0	0	GG
222	Satis Ltd.	100	Ozurgeti Municipality	Manufacturing	0	44	GG
223	Mestia Hospital-Outpatient Association Ltd.	100	Mestia Municipality	Human health and social work activities	69 261	88	GG
224	Sagarejo Ltd	100	Sagarejo Municipality	Communal, social and personal services	0	15	GG
225	Zugdidi Agroservice Ltd.	100	Zugdidi Municipality	Manufacturing	0	20	GG
226	Ltd. Football Club Aragvi	100	Dusheti Municipality	Communal, social and personal services	0	52	GG
227	Ltd. Football Club Kutaisi Management	100	Kutaisi Municipality	Communal, social and personal services	0	34	GG
228	Ramaz Shengelia Stadium Ltd.	100	Kutaisi Municipality	Communal, social and personal services	0	23	GG
229	Improvement Ltd.	100	Akhaltshikhe Municipality	Communal, social and personal services	1 771 554	167	GG
230	Clean Municipality Ltd 2018	100	Sagarejo Municipality	Communal, social and personal services	0	37	GG

231	Ecoservice Group Ltd.	100	Tbilisi Municipality	Real Estate transactions, leasing and customer service	2 477 929	389	GG
232	Telavi Municipality Improvement Service Ltd.	100	Telavi Municipality	Communal, social and personal services	1 570 323	168	GG
233	Ozurgeti Municipality Football Club-Swallow Ltd.	100	Ozurgeti Municipality	Real Estate transactions, leasing and customer service	0	42	GG
234	Kareli Improvement Service Ltd.	100	Qareli Municipality	Construction	36 516	5	GG
235	Architect Ltd.	100	Rustavi Municipality	Real Estate transactions, leasing and customer service	47 324	10	GG
236	Ozurgeti Municipality Board Enterprise - Municipal Transport Ltd	100	Ozurgeti Municipality	Transport and communication	0	10	GG
237	Laboratory Research Center	100	Poti Municipality	Human health and social work activities	0	13	GG
238	Autoparking Ltd. 2011	100	Tbilisi Municipality	Real Estate transactions, leasing and customer service	617 386	0	GG
239	Chuberi-Ushguli specialized outpatient service	100	Mestia Municipality	Human health and social work activities	0	27	GG
240	Rural Water Ltd.	100	Kaspi Municipality	Construction	0	37	GG
241	Mestia Road Ltd.	100	Mestia Municipality	Construction	61 208	0	GG
242	Ltd. Women's Football Club Lanchkhuti Lanchkhuti	100	Lanchkhuti Municipality	Communal, social and personal services	0	2	GG
243	Khobi Municipality Water Supply Ltd.	100	Khobi Municipality	Manufacturing	0	14	GG
244	JSC Khashuri glass container	23	Ministry of Economy and Sustainable Development of Georgia	Manufacturing	6 326	6	GG

245	JSC Sanatorium Gelati	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	0	5	GG
246	JSC Tbilisresmsheni	100	Ministry of Economy and Sustainable Development of Georgia	Construction	9 780	0	GG
247	JSC Sachkhere District Hospital-Polyclinic Association	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	1 310 511	479	GG
248	JSC Kakheti Energy Distribution	100	Ministry of Economy and Sustainable Development of Georgia	Electricity, gas and water production and distribution	0	0	GG
249	JSC Sanatorium Imereti	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	0	4	GG
250	JSC Sanatorium Friendship	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	0	4	GG
251	JSC National Center for Tuberculosis and Lung Diseases	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	1 094 942	779	GG
252	JSC Scientific-Practical Center for AIDS and Clinical Immunology of Infectious Pathology	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	1 161 324	379	GG
253	JSC N. Makhviladze Scientific Research Institute of Occupational Medicine and Ecology	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	0	27	GG
254	JSC Georgian Railway	100	JSC Partnership Fund	Transport and communication	434 964 183	12 476	PC
255	JSC Georgian State Electrosystem	100	JSC Partnership Fund	Electricity, gas and water production and distribution	196 072 034	1 527	PC

256	JSC Georgian Oil and Gas Corporation	100	JSC Partnership Fund	Electricity, gas and water production and distribution	719 175 661	510	PC
257	JSC Electricity System Commercial Operator	100	JSC Partnership Fund	Electricity, gas and water production and distribution	568 233 076	76	GG
258	JSC Georgian Energy Development Fund	100	Ministry of Economy and Sustainable Development of Georgia	Real Estate transactions, leasing and customer service	23 751 102	56	GG
259	JSC Partnership Fund	100	State Body	Financial activities	389 483	68	GG
260	JSC Construction Company "Kartli"	100	Ministry of Economy and Sustainable Development of Georgia	Construction	227 290	11	GG
261	JSC Remshen	100	Ministry of Economy and Sustainable Development of Georgia	Real Estate transactions, leasing and customer service	22 514	7	GG
262	JSC Resort Akhtala	99	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	370 329	18	GG
263	JSC Akura	99	Ministry of Environment Protection and Agriculture of Georgia	Manufacturing	13 028 925	114	PC
264	JSC Alazani	50	Ministry of Economy and Sustainable Development of Georgia	Real Estate transactions, leasing and customer service	0	0	GG
265	JSC Sachkheregaz	100	Sachkhere Municipality	Electricity, gas and water production and distribution	5 375 797	100	PC
266	JSC Kobuleti Resort Polyclinic	98	Kobuleti Municipality	Human health and social work activities	137 947	13	GG
267	JSC Samtredia 2002	90	Ministry of Economy and Sustainable Development of Georgia	Real Estate transactions, leasing and customer service	0	2	GG

268	JSC United Energy System Sakrusenergo	50	JSC Partnership Fund	Electricity, gas and water production and distribution	38 704 132	288	PC
269	JSC Boris Paichadze National Stadium	92	Tbilisi Municipality	Communal, social and personal services	550 848	4	GG
270	JSC Builder	51	Ministry of Economy and Sustainable Development of Georgia	Construction	0	0	GG
271	JSC Autotrans	36	Ministry of Economy and Sustainable Development of Georgia	Transport and communication	4 290	7	GG
272	JSC Wagon	33	Ministry of Economy and Sustainable Development of Georgia	Real Estate transactions, leasing and customer service	0	0	GG
273	JSC Grace	43	Ministry of Economy and Sustainable Development of Georgia	Real Estate transactions, leasing and customer service	0	11	GG
274	JSC Energy Tech Kit	25	Ministry of Economy and Sustainable Development of Georgia	Construction	19 020	0	GG
275	JSC Aeronautical Technologies (Cyclone)	66	JSC Partnership Fund	Manufacturing	12 176 331	170	GG
276	JSC Glass	0,1	Ministry of Economy and Sustainable Development of Georgia	Manufacturing	74 202 419	255	GG
277	JSC Locomotive Builder	12,8	Ministry of Economy and Sustainable Development of Georgia	Manufacturing	15 391 384	498	GG
278	JSC Sakpressa	15	Ministry of Economy and Sustainable Development of Georgia	Trading	0	0	GG
279	JSC Business Center Agromontation	59	Ministry of Economy and Sustainable Development of Georgia	Real Estate transactions, leasing and customer service	0	1	GG

280	JSC Tsekavshiri Zugdidi Food Factory	51	Ministry of Economy and Sustainable Development of Georgia	Real Estate transactions, leasing and customer service	68 291	12	GG
281	JSC Georgian Film Development Center	100	Ministry of Economy and Sustainable Development of Georgia	Communal, social and personal services	0	0	GG
282	JSC Borjomi Likani International	100	JSC Partnership Fund	Hotels and restaurants	11 446 760	241	GG
283	JSC Batumi bus station	30	Batumi Municipality	Real Estate transactions, leasing and customer service	339 536	19	GG
284	O.Chkhobadze Medical and Rehabilitation Clinical Center for the Disabled and the Elderly Ltd	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	280 873	0	GG
285	Imereti Greener Ltd.	37,7	JSC Partnership Fund	Agriculture, hunting and forestry	1 650 846	36	GG
286	JSC Vanrick Agro	40,5	JSC Partnership Fund	Agriculture, hunting and forestry	115 078	0	GG
287	Agricultural Logistics and Services Company Ltd.	100	Non-Profit (Non-Commercial) Legal Entity Agricultural Project Management Agency	Agriculture, hunting and forestry	16 432 103	638	GG
288	JSC Panex	48	JSC Partnership Fund	Manufacturing	13 806 808	40	GG
289	Clinics Development Company Ltd.	100	JSC Partnership Fund	Human health and social work activities	1 620 468	15	GG
290	Tsinandali Estates Ltd.	33,4	JSC Partnership Fund	Hotels and restaurants	11 952 560	193	GG
291	Ltd. Perspective	100	Ministry of Justice of Georgia	Real Estate transactions, leasing and customer service	407 011	0	GG

292	Gray Shopping Center Ltd.	100	JSC Partnership Fund	Real Estate transactions, leasing and customer service	610 946	4	GG
293	Ltd. Square 2009	100	Oni Municipality	Real Estate transactions, leasing and customer service	179 405	7	GG
294	KSH Caucasian Sus Heritage Ltd.	50	JSC Partnership Fund	Agriculture, hunting and forestry	91 075	8	GG
295	Tbilisi Logistics Center Ltd.	100	JSC Partnership Fund	Real Estate transactions, leasing and customer service	0	0	GG
296	JSC Nenskra	100	JSC Partnership Fund	Construction	0	0	
297	Lagodekhi Trade Center Ltd.	100	JSC Partnership Fund	Construction	0	0	GG
298	Global Brand Ltd.	100	JSC Partnership Fund	Manufacturing	0	4	GG
299	Startup Georgia Ltd.	100	JSC Partnership Fund	Financial activities	0	12	GG
300	Sakgeoservice Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Real Estate transactions, leasing and customer service	0	0	GG
301	Georgian Black Sea Port Ltd.	100	JSC Partnership Fund	Real Estate transactions, leasing and customer service	0	0	GG
302	JSC Saktransgazmretsvi	100	Ministry of Economy and Sustainable Development of Georgia	Electricity, gas and water production and distribution	0	0	GG
303	Infrastructure Development Company	100	Ministry of Economy and Sustainable Development of Georgia	Real Estate transactions, leasing and customer service	0	0	GG
304	Kevri Ltd.	72	Ministry of Economy and Sustainable Development of Georgia	Agriculture, hunting and forestry	0	0	GG
305	JSC Sachkhere Production Combine	75	Ministry of Economy and Sustainable Development of Georgia	Mining	0	0	GG

306	JSC Fermentation	49	Ministry of Economy and Sustainable Development of Georgia	Manufacturing	0	0	GG
307	JSC Rioni	62	Ministry of Economy and Sustainable Development of Georgia	Manufacturing	0	0	GG
308	Ninotsminda District Ltd.	56	Ministry of Economy and Sustainable Development of Georgia	Manufacturing	0	0	GG
309	Progress Ltd.	50	Ministry of Economy and Sustainable Development of Georgia	Electricity, gas and water production and distribution	0	0	GG
310	Sakenergotekremoniti Ltd.	46	Ministry of Economy and Sustainable Development of Georgia	Construction	0	0	GG
311	JSC Energoremsheni	9	Ministry of Economy and Sustainable Development of Georgia	Construction	0	0	GG
312	JSC Builder of Buildings	8	Ministry of Economy and Sustainable Development of Georgia	Construction	0	0	GG
313	Ltd. Technician	63	Ministry of Economy and Sustainable Development of Georgia	Construction	0	0	GG
314	Uniormsheni Ltd.	60	Ministry of Economy and Sustainable Development of Georgia	Construction	0	0	GG
315	JSC Cross Petroleum Product	56	Ministry of Economy and Sustainable Development of Georgia	Trading	0	0	GG
316	JSC Tkibuli oil product	51	Ministry of Economy and Sustainable Development of Georgia	Trading	0	0	GG

317	JSC Khobi Petroleum Product	51	Ministry of Economy and Sustainable Development of Georgia	Trading	0	0	GG
318	Shans Oil Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Trading	0	0	GG
319	Georgia-Belarus Trade and Economic Agency	10	Ministry of Economy and Sustainable Development of Georgia	Trading	0	0	GG
320	Vardisubani Ltd	70	Ministry of Economy and Sustainable Development of Georgia	Hotels and restaurants	0	0	GG
321	JSC Agroinvest	99,7	Ministry of Economy and Sustainable Development of Georgia	Financial activities	0	0	GG
322	Georgian Bazaar Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Real Estate transactions, leasing and customer service	0	0	GG
323	Bolnisi-2000 Ltd.	70	Ministry of Economy and Sustainable Development of Georgia	Real Estate transactions, leasing and customer service	0	0	GG
324	Jvari-94 Ltd.	43	Ministry of Economy and Sustainable Development of Georgia	Real Estate transactions, leasing and customer service	0	0	GG
325	Guria Medical Center Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	0	0	GG
326	JSC Senaki District Hospital	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	0	0	GG
327	Ltd. Resort Tskaltubo Development Company	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	0	0	GG

328	JSC Georgian Tungo and Essential Oil	100	Ministry of Economy and Sustainable Development of Georgia	Communal, social and personal services	0	0	GG
329	Samegrelo-Zemo Svaneti TV and Radio Company Samegrelo Ltd.	64	Ministry of Economy and Sustainable Development of Georgia	Communal, social and personal services	0	0	GG
330	Regional Hospital Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Human health and social work activities	0	0	GG
331	Logos Ltd.	100	Ministry of Economy and Sustainable Development of Georgia	Real Estate transactions, leasing and customer service	0	0	GG
332	Ltd. Building Materials	100	Ministry of Economy and Sustainable Development of Georgia	Construction	0	0	GG
333	Georgian Sectoral and Regional Development Company Ltd.	100	JSC Partnership Fund	Financial activities	0	16	PC
334	Likani Residence Ltd.	100	JSC Partnership Fund	Hotels and restaurants	0	10	GG
335	Gazelle Fund LP	29	JSC Partnership Fund	Financial activities	0	0	GG
336	Caucasus Clean Energy I, LLP	8	JSC Partnership Fund	Financial activities	0	0	GG
337	Georgian Natural Products LLC	100	JSC Partnership Fund	Trading	0	0	GG
338	Partnership Fund-Green Development Ltd.	100	JSC Partnership Fund	Hotels and restaurants	0	2	GG
339	Devs Ltd.	0,7	Ministry of Economy and Sustainable Development of Georgia	Hotels and restaurants	0	0	GG
340	Chiaturbagirgzes Ltd.	100	Chiatura Municipality	Transport and communication	40 200	20	GG
341	Media Center Ltd.	100	Kvareli Municipality	Communal, social and personal services	3 764	8	GG

342	Chkhorotsku Samegrelo Ltd.	100	Chkhorotsku Municipality	Communal, social and personal services	0	33	GG
343	Kimbact Ltd.	100	Chkhorotsku Municipality	Communal, social and personal services	0	9	GG
344	Chkhortsali Ltd.	100	Chkhorotsku Municipality	Electricity, gas and water production and distribution	0	8	GG
345	JSC Adjara Water Alliance	26	Batumi Municipality	Electricity, gas and water production and distribution	3 915	11	GG
346	JSC Nenskra Hydro	10	JSC Partnership Fund	Construction	700 579	43	GG
347	Improvement of Aspindza Ltd.	100	Aspindza Municipality	Manufacturing	273 597	73	GG
348	Medula Ltd. - Chemotherapy and Immunotherapy Clinic	15	Ministry of Education, Science, Culture and Sports of Georgia	Human health and social work activities	245 941	7	GG
349	East West Bridge Ltd.	100	JSC Partnership Fund	Financial activities	0	0	GG
350	Ltd. Infrastructure Development Partnership Company	100	JSC Partnership Fund	Financial activities	0	0	GG
351	Ytong Caucasus	28,9	JSC Partnership Fund	Construction	0	0	GG
352	NNLE - Peace Foundation for a better future	33,33	JSC Partnership Fund	Financial activities	0	0	GG

Appendix 3

Financial Risk Analysis for the Six SOEs Combined

Base Case	2020	2021	2022	2023	2024
NPAT (GEL Million)	-161	241	371	358	415
NET worth (GEL Million)	834	1,331	2,053	2,717	3,427
Return on Equity (ROE) %	-19%	18%	18%	13%	12%
Return on Assets (ROA) (%)	4%	6%	7%	6%	7%
Debt to Total assets (D/(D+E)) (%)	91%	83%	77%	71%	66%
Interest Coverage (IC)	0.7	2.1	2.6	2.5	2.8
Current Ratio (CR)	2.1	1.6	1.2	0.8	0.5
Quick Ratio (QR)	1.9	1.4	1.1	0.6	0.4

Shock Analysis Scenarios:

Lower Growth	2020	2021	2022	2023	2024
NPAT (GEL Million)	-161	214	341	342	418
NET worth (GEL Million)	834	1,313	2,016	2,669	3,381
Return on Equity (ROE) %	-19%	16%	17%	13%	12%
Return on Assets (ROA) (%)	4%	5%	7%	6%	7%
Debt to Total assets (D/(D+E)) (%)	91%	84%	77%	72%	66%
Interest Coverage (IC)	0.7	1.9	2.5	2.5	2.8
Current Ratio (CR)	2.1	1.5	1.1	0.7	0.4
Quick Ratio (QR)	1.9	1.4	1.0	0.5	0.3

Exchange Rate Shock	2020	2021	2022	2023	2024
NPAT (GEL Million)	-161	-2,009	684	608	681
NET worth (GEL Million)	834	-835	90	917	1,800
Return on Equity (ROE) %	-19%	nmf	758%	66%	38%
Return on Assets (ROA) (%)	4%	9%	10%	9%	9%
Debt to Total assets (D/(D+E)) (%)	91%	110%	99%	91%	84%
Interest Coverage (IC)	0.7	0.3	4.3	3.1	3.4
Current Ratio (CR)	2.1	1.9	1.8	1.8	1.9

Quick Ratio (QR)	1.9	1.7	1.7	1.7	1.7
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Interest Rate Shock	2020	2021	2022	2023	2024
NPAT (GEL Million)	-161	184	311	296	353
NET worth (GEL Million)	834	1,294	1,976	2,600	3,271
Return on Equity (ROE) %	-19%	14%	16%	11%	11%
Return on Assets (ROA) (%)	4%	6%	7%	7%	7%
Debt to Total assets (D/(D+E)) (%)	91%	84%	77%	72%	67%
Interest Coverage (IC)	0.7	1.6	2.1	2.0	2.2
Current Ratio (CR)	2.1	1.5	1.0	0.5	0.1
Quick Ratio (QR)	1.9	1.3	0.8	0.3	0.0

Combined Shock	2020	2021	2022	2023	2024
NPAT (GEL Million)	-161	-2,101	562	501	598
NET worth (GEL Million)	834	-927	-81	675	1,505
Return on Equity (ROE) %	-19%	nmf	nmf	74%	40%
Return on Assets (ROA) (%)	4%	8%	10%	9%	9%
Debt to Total assets (D/(D+E)) (%)	91%	111%	101%	93%	86%
Interest Coverage (IC)	0.7	0.2	2.9	2.4	2.6
Current Ratio (CR)	2.1	1.7	1.5	1.3	1.3
Quick Ratio (QR)	1.9	1.5	1.4	1.2	1.1

Stress Test Scenarios:

Stress Test Lower Growth	2020	2021	2022	2023	2024
NPAT (GEL Million)	-161	151	299	358	414
NET worth (GEL Million)	834	1,272	1,947	2,611	3,321
Return on Equity (ROE) %	-19%	12%	15%	14%	12%
Return on Assets (ROA) (%)	4%	4%	6%	7%	7%
Debt to Total assets (D/(D+E)) (%)	91%	84%	77%	72%	67%
Interest Coverage (IC)	0.7	1.7	2.3	2.5	2.8

Current Ratio (CR)	2.1	1.4	0.9	0.5	0.3
Quick Ratio (QR)	1.9	1.2	0.8	0.4	0.1

Engurhesi

Base Case	2020	2021	2022	2023	2024
NPAT (GEL Million)	-18	-9	1	1	1
NET worth (GEL Million)	159	150	151	152	153
Return on Equity (ROE) %	-11%	-6%	1%	1%	1%
Return on Assets (ROA) (%)	-4%	0%	2%	2%	2%
Debt to Total assets (D/(D+E)) (%)	58%	58%	57%	56%	54%
Interest Coverage (IC)	-3.4	0.0	1.3	1.3	1.3
Current Ratio (CR)	47.6	-123.1	-204.6	-237.1	-277.9
Quick Ratio (QR)	40.8	-128.5	-206.7	-245.1	-283.5

Shock Analysis Scenarios:

Lower Growth	2020	2021	2022	2023	2024
NPAT (GEL Million)	-18	-10	1	1	1
NET worth (GEL Million)	159	150	150	151	152
Return on Equity (ROE) %	-11%	-6%	1%	1%	1%
Return on Assets (ROA) (%)	-4%	0%	1%	1%	2%
Debt to Total assets (D/(D+E)) (%)	58%	58%	57%	56%	54%
Interest Coverage (IC)	-3.4	-0.1	1.2	1.2	1.3
Current Ratio (CR)	47.6	-124.5	-209.3	-243.4	-284.1
Quick Ratio (QR)	40.8	-130.0	-211.4	-251.5	-289.7

Exchange Rate Shock	2020	2021	2022	2023	2024
NPAT (GEL Million)	-18	-50	4	1	1
NET worth (GEL Million)	159	109	111	112	113

Return on Equity (ROE) %	-11%	-46%	3%	1%	1%
Return on Assets (ROA) (%)	-4%	0%	2%	2%	2%
Debt to Total assets (D/(D+E)) (%)	58%	69%	69%	67%	66%
Interest Coverage (IC)	-3.4	0.0	3.0	1.3	1.3
Current Ratio (CR)	47.6	-123.1	-204.0	-238.8	-282.0
Quick Ratio (QR)	40.8	-128.5	-206.2	-246.8	-287.6

Interest Rate Shock	2020	2021	2022	2023	2024
NPAT (GEL Million)	-18	-15	-1	-1	-1
NET worth (GEL Million)	159	144	143	143	142
Return on Equity (ROE) %	-11%	-11%	0%	-1%	-1%
Return on Assets (ROA) (%)	-4%	0%	2%	2%	2%
Debt to Total assets (D/(D+E)) (%)	58%	59%	58%	57%	55%
Interest Coverage (IC)	-3.4	0.0	0.9	0.9	0.9
Current Ratio (CR)	47.6	-144.8	-238.6	-281.1	-331.6
Quick Ratio (QR)	40.8	-150.3	-240.8	-289.1	-337.2

Combined Shock	2020	2021	2022	2023	2024
NPAT (GEL Million)	-18	-57	1	-1	-1
NET worth (GEL Million)	159	103	103	102	101
Return on Equity (ROE) %	-11%	-55%	1%	-1%	-1%
Return on Assets (ROA) (%)	-4%	0%	1%	2%	2%
Debt to Total assets (D/(D+E)) (%)	58%	71%	70%	69%	68%
Interest Coverage (IC)	-3.4	0.0	1.2	0.8	0.8
Current Ratio (CR)	47.6	-146.3	-245.7	-293.3	-347.5
Quick Ratio (QR)	40.8	-151.7	-247.8	-301.3	-353.1

Stress Test Scenarios:

Stress Test Lower Growth	2020	2021	2022	2023	2024
NPAT (GEL Million)	-18	-11	0	1	1

NET worth (GEL Million)	159	149	149	150	150
Return on Equity (ROE) %	-11%	-7%	0%	1%	1%
Return on Assets (ROA) (%)	-4%	0%	1%	2%	2%
Debt to Total assets (D/(D+E)) (%)	58%	58%	58%	56%	54%
Interest Coverage (IC)	-3.4	-0.2	1.0	1.3	1.3
Current Ratio (CR)	47.6	-127.9	-217.3	-250.1	-291.2
Quick Ratio (QR)	40.8	-133.3	-219.4	-258.1	-296.8

Georgian Railway

Base Case	2020	2021	2022	2023	2024
NPAT (GEL Million)	-3	-64	125	139	147
NET worth (GEL Million)	520	456	538	628	724
Return on Equity (ROE) %	-1%	-14%	23%	22%	20%
Return on Assets (ROA) (%)	6%	7%	10%	10%	10%
Debt to Total assets (D/(D+E)) (%)	78%	77%	73%	70%	67%
Interest Coverage (IC)	1.0	0.7	2.7	2.9	3.1
Current Ratio (CR)	1.5	-0.2	0.0	0.8	1.6
Quick Ratio (QR)	1.4	-0.3	-0.1	0.6	1.5

Shock Analysis Scenarios:

Lower Growth	2020	2021	2022	2023	2024
NPAT (GEL Million)	-3	-73	115	133	148
NET worth (GEL Million)	520	447	522	609	705
Return on Equity (ROE) %	-1%	-16%	22%	22%	21%
Return on Assets (ROA) (%)	6%	7%	9%	10%	10%
Debt to Total assets (D/(D+E)) (%)	78%	77%	74%	71%	68%
Interest Coverage (IC)	1.0	0.7	2.6	2.9	3.1
Current Ratio (CR)	1.5	-0.2	-0.2	0.5	1.4
Quick Ratio (QR)	1.4	-0.3	-0.3	0.4	1.2

Exchange Rate Shock	2020	2021	2022	2023	2024
NPAT (GEL Million)	-3	-408	311	313	323
NET worth (GEL Million)	520	112	314	518	728
Return on Equity (ROE) %	-1%	-365%	99%	61%	44%
Return on Assets (ROA) (%)	6%	15%	17%	15%	14%
Debt to Total assets (D/(D+E)) (%)	78%	95%	87%	81%	76%
Interest Coverage (IC)	1.0	0.5	5.5	4.7	4.8
Current Ratio (CR)	1.5	0.8	3.0	5.9	8.5
Quick Ratio (QR)	1.4	0.7	2.9	5.7	8.4

Interest Rate Shock	2020	2021	2022	2023	2024
NPAT (GEL Million)	-3	-68	112	126	134
NET worth (GEL Million)	520	452	525	606	694
Return on Equity (ROE) %	-1%	-15%	21%	21%	19%
Return on Assets (ROA) (%)	6%	7%	10%	10%	10%
Debt to Total assets (D/(D+E)) (%)	78%	77%	74%	71%	68%
Interest Coverage (IC)	1.0	0.7	2.3	2.5	2.6
Current Ratio (CR)	1.5	-0.2	-0.2	0.4	1.1
Quick Ratio (QR)	1.4	-0.3	-0.3	0.3	1.0

Combined Shock	2020	2021	2022	2023	2024
NPAT (GEL Million)	-3	-427	278	286	305
NET worth (GEL Million)	520	93	274	460	658
Return on Equity (ROE) %	-1%	-459%	102%	62%	46%
Return on Assets (ROA) (%)	6%	14%	16%	16%	15%
Debt to Total assets (D/(D+E)) (%)	78%	96%	88%	83%	78%
Interest Coverage (IC)	1.0	0.4	4.2	3.7	3.9
Current Ratio (CR)	1.5	0.7	2.6	5.1	7.5
Quick Ratio (QR)	1.4	0.6	2.4	4.9	7.4

Stress Test Scenarios:

Stress Test Lower Growth	2020	2021	2022	2023	2024
NPAT (GEL Million)	-3	-94	101	138	147
NET worth (GEL Million)	520	426	492	582	677
Return on Equity (ROE) %	-1%	-22%	21%	24%	22%
Return on Assets (ROA) (%)	6%	6%	9%	11%	10%
Debt to Total assets (D/(D+E)) (%)	78%	78%	75%	72%	69%
Interest Coverage (IC)	1.0	0.6	2.4	2.9	3.1
Current Ratio (CR)	1.5	-0.3	-0.5	0.3	1.1
Quick Ratio (QR)	1.4	-0.4	-0.6	0.1	0.9

Georgian Oil and Gas Corporation

Base Case	2020	2021	2022	2023	2024
NPAT (GEL Million)	69	111	175	138	189
NET worth (GEL Million)	1,154	1,255	1,398	1,517	1,669
Return on Equity (ROE) %	6%	9%	13%	9%	11%
Return on Assets (ROA) (%)	6%	7%	9%	8%	9%
Debt to Total assets (D/(D+E)) (%)	44%	48%	45%	42%	39%
Interest Coverage (IC)	2.3	3.5	3.9	3.2	4.2
Current Ratio (CR)	4.3	5.5	4.2	2.5	1.6
Quick Ratio (QR)	3.9	5.0	3.9	2.3	1.4

Shock Analysis Scenarios:

Lower Growth	2020	2021	2022	2023	2024
NPAT (GEL Million)	69	102	164	133	191
NET worth (GEL Million)	1,154	1,250	1,385	1,501	1,653
Return on Equity (ROE) %	6%	8%	12%	9%	12%
Return on Assets (ROA) (%)	6%	7%	9%	8%	9%

Debt to Total assets (D/(D+E)) (%)	44%	47%	45%	42%	39%
Interest Coverage (IC)	2.3	3.3	3.7	3.2	4.2
Current Ratio (CR)	4.3	5.4	4.0	2.3	1.5
Quick Ratio (QR)	3.9	4.9	3.7	2.1	1.3

Exchange Rate Shock	2020	2021	2022	2023	2024
NPAT (GEL Million)	69	-65	286	241	305
NET worth (GEL Million)	1,154	1,118	1,333	1,518	1,745
Return on Equity (ROE) %	6%	-6%	21%	16%	17%
Return on Assets (ROA) (%)	6%	11%	13%	11%	12%
Debt to Total assets (D/(D+E)) (%)	44%	54%	52%	48%	46%
Interest Coverage (IC)	2.3	0.8	5.7	4.4	5.2
Current Ratio (CR)	4.3	5.9	5.3	4.3	3.8
Quick Ratio (QR)	3.9	5.4	5.0	4.1	3.6

Interest Rate Shock	2020	2021	2022	2023	2024
NPAT (GEL Million)	69	109	166	129	181
NET worth (GEL Million)	1,154	1,254	1,390	1,503	1,650
Return on Equity (ROE) %	6%	9%	12%	9%	11%
Return on Assets (ROA) (%)	6%	7%	10%	8%	9%
Debt to Total assets (D/(D+E)) (%)	44%	48%	45%	42%	39%
Interest Coverage (IC)	2.3	3.3	3.4	2.8	3.7
Current Ratio (CR)	4.3	5.5	4.1	2.4	1.4
Quick Ratio (QR)	3.9	5.0	3.8	2.1	1.2

Combined Shock	2020	2021	2022	2023	2024
NPAT (GEL Million)	69	-79	261	222	296
NET worth (GEL Million)	1,154	1,104	1,302	1,476	1,697
Return on Equity (ROE) %	6%	-7%	20%	15%	17%
Return on Assets (ROA) (%)	6%	10%	13%	11%	13%

Debt to Total assets (D/(D+E)) (%)	44%	55%	52%	48%	46%
Interest Coverage (IC)	2.3	0.7	4.6	3.7	4.6
Current Ratio (CR)	4.3	5.8	5.0	3.9	3.4
Quick Ratio (QR)	3.9	5.3	4.8	3.7	3.2

Stress Test Scenarios:

Stress Test Lower Growth	2020	2021	2022	2023	2024
NPAT (GEL Million)	69	81	149	139	190
NET worth (GEL Million)	1,154	1,236	1,362	1,482	1,634
Return on Equity (ROE) %	6%	7%	11%	9%	12%
Return on Assets (ROA) (%)	6%	6%	9%	8%	10%
Debt to Total assets (D/(D+E)) (%)	44%	47%	45%	42%	38%
Interest Coverage (IC)	2.3	2.8	3.5	3.3	4.2
Current Ratio (CR)	4.3	5.2	3.7	2.1	1.3
Quick Ratio (QR)	3.9	4.7	3.5	1.9	1.1

Georgian State ElectroSystem

Base Case	2020	2021	2022	2023	2024
NPAT (GEL Million)	37	271	74	69	57
NET worth (GEL Million)	-104	72	120	165	202
Return on Equity (ROE) %	nmf	377%	62%	42%	28%
Return on Assets (ROA) (%)	10%	11%	9%	8%	7%
Debt to Total assets (D/(D+E)) (%)	109%	96%	94%	93%	92%
Interest Coverage (IC)	1.4	-1.8	1.7	1.6	1.5
Current Ratio (CR)	1.0	2.7	1.9	1.7	1.4
Quick Ratio (QR)	0.9	2.6	1.9	1.6	1.3

Shock Analysis Scenarios:

Lower Growth	2020	2021	2022	2023	2024
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NPAT (GEL Million)	37	263	67	65	58
NET worth (GEL Million)	-104	67	110	152	190
Return on Equity (ROE) %	nmf	394%	61%	43%	30%
Return on Assets (ROA) (%)	10%	11%	9%	8%	8%
Debt to Total assets (D/(D+E)) (%)	109%	96%	95%	93%	92%
Interest Coverage (IC)	1.4	-1.7	1.6	1.6	1.5
Current Ratio (CR)	1.0	2.7	1.9	1.6	1.3
Quick Ratio (QR)	0.9	2.6	1.8	1.5	1.2

Exchange Rate Shock	2020	2021	2022	2023	2024
NPAT (GEL Million)	37	-133	78	59	47
NET worth (GEL Million)	-104	-237	-186	-148	-117
Return on Equity (ROE) %	nmf	nmf	nmf	nmf	nmf
Return on Assets (ROA) (%)	10%	12%	9%	9%	8%
Debt to Total assets (D/(D+E)) (%)	109%	114%	109%	107%	105%
Interest Coverage (IC)	1.4	0.6	1.8	1.5	1.4
Current Ratio (CR)	1.0	2.2	1.5	1.3	0.9
Quick Ratio (QR)	0.9	2.1	1.5	1.1	0.8

Interest Rate Shock	2020	2021	2022	2023	2024
NPAT (GEL Million)	37	249	58	51	37
NET worth (GEL Million)	-104	58	95	128	153
Return on Equity (ROE) %	nmf	432%	61%	40%	25%
Return on Assets (ROA) (%)	10%	12%	9%	9%	8%
Debt to Total assets (D/(D+E)) (%)	109%	97%	95%	94%	94%
Interest Coverage (IC)	1.4	-2.3	1.5	1.4	1.3
Current Ratio (CR)	1.0	2.6	1.8	1.4	1.1
Quick Ratio (QR)	0.9	2.5	1.7	1.3	1.0

Combined Shock	2020	2021	2022	2023	2024
NPAT (GEL Million)	37	-162	51	35	27

NET worth (GEL Million)	-104	-266	-233	-211	-193
Return on Equity (ROE) %	nmf	nmf	nmf	nmf	nmf
Return on Assets (ROA) (%)	10%	11%	9%	9%	8%
Debt to Total assets (D/(D+E)) (%)	109%	116%	112%	110%	109%
Interest Coverage (IC)	1.4	0.5	1.4	1.2	1.2
Current Ratio (CR)	1.0	2.0	1.3	0.9	0.5
Quick Ratio (QR)	0.9	1.9	1.2	0.8	0.4

Stress Test Scenarios:

Test Lower Growth	2020	2021	2022	2023	2024
NPAT (GEL Million)	37	245	56	70	57
NET worth (GEL Million)	-104	55	92	137	174
Return on Equity (ROE) %	nmf	446%	62%	51%	33%
Return on Assets (ROA) (%)	10%	10%	8%	8%	8%
Debt to Total assets (D/(D+E)) (%)	109%	97%	96%	94%	93%
Interest Coverage (IC)	1.4	-1.5	1.5	1.6	1.5
Current Ratio (CR)	1.0	2.5	1.7	1.5	1.2
Quick Ratio (QR)	0.9	2.4	1.6	1.4	1.1

Marabda-Kartsakhi Rail

The project is scheduled for completion in 2020, so no financial forecasts for 2021 and beyond will be made.

Base Case	2020	2021	2022	2023	2024
NPAT (GEL Million)	-196				
NET worth (GEL Million)	-1,046				
Return on Equity (ROE) %	nmf				
Return on Assets (ROA) (%)	0%				
Debt to Total assets (D/(D+E)) (%)	164%				
Interest Coverage (IC)	0.0				
Current Ratio (CR)	8.1				

Quick Ratio (QR)

8.1

United Water Supply

საბაზისო სცენარი	2020	2021	2022	2023	2024
NPAT (GEL Million)	-50	-63	-35	-32	-27
NET worth (GEL Million)	151	486	902	1,273	1,657
Return on Equity (ROE) %	-33%	-13%	-4%	-3%	-2%
Return on Assets (ROA) (%)	-3%	-2%	-1%	-1%	0%
Debt to Total assets (D/(D+E)) (%)	88%	67%	50%	37%	30%
Interest Coverage (IC)	-2.9	-0.6	-1.1	-0.6	-0.3
Current Ratio (CR)	0.4	-0.5	-1.0	-1.9	-2.5
Quick Ratio (QR)	0.3	-0.5	-1.1	-1.9	-2.5

Shock Analysis Scenarios:

Lower Growth	2020	2021	2022	2023	2024
NPAT (GEL Million)	-50	-64	-36	-33	-27
NET worth (GEL Million)	151	485	900	1,270	1,655
Return on Equity (ROE) %	-33%	-13%	-4%	-3%	-2%
Return on Assets (ROA) (%)	-3%	-2%	-1%	-1%	0%
Debt to Total assets (D/(D+E)) (%)	88%	67%	50%	38%	30%
Interest Coverage (IC)	-2.9	-0.6	-1.2	-0.6	-0.3
Current Ratio (CR)	0.4	-0.5	-1.0	-1.9	-2.5
Quick Ratio (QR)	0.3	-0.5	-1.1	-1.9	-2.5

Exchange Rate Shock	2020	2021	2022	2023	2024
NPAT (GEL Million)	-50	-420	-24	-33	-29
NET worth (GEL Million)	151	128	556	925	1,308
Return on Equity (ROE) %	-33%	-327%	-4%	-4%	-2%
Return on Assets (ROA) (%)	-3%	-2%	-1%	-1%	0%
Debt to Total assets (D/(D+E)) (%)	88%	91%	69%	54%	44%
Interest Coverage (IC)	-2.9	-0.1	-3.1	-0.6	-0.2

Current Ratio (CR)	0.4	-0.5	-1.1	-1.9	-2.5
Quick Ratio (QR)	0.3	-0.5	-1.1	-2.0	-2.6

Interest Rate Shock	2020	2021	2022	2023	2024
NPAT (GEL Million)	-50	-86	-44	-42	-36
NET worth (GEL Million)	151	463	870	1,231	1,607
Return on Equity (ROE) %	-33%	-19%	-5%	-3%	-2%
Return on Assets (ROA) (%)	-3%	-2%	-1%	-1%	0%
Debt to Total assets (D/(D+E)) (%)	88%	68%	51%	38%	31%
Interest Coverage (IC)	-2.9	-0.4	-0.7	-0.4	-0.2
Current Ratio (CR)	0.4	-0.6	-1.2	-2.1	-2.7
Quick Ratio (QR)	0.3	-0.7	-1.2	-2.1	-2.7

Combined Shock	2020	2021	2022	2023	2024
NPAT (GEL Million)	-50	-444	-38	-47	-41
NET worth (GEL Million)	151	105	519	874	1,245
Return on Equity (ROE) %	-33%	-423%	-7%	-5%	-3%
Return on Assets (ROA) (%)	-3%	-2%	-1%	-1%	0%
Debt to Total assets (D/(D+E)) (%)	88%	93%	70%	56%	46%
Interest Coverage (IC)	-2.9	-0.1	-1.1	-0.4	-0.2
Current Ratio (CR)	0.4	-0.6	-1.2	-2.2	-2.8
Quick Ratio (QR)	0.3	-0.7	-1.3	-2.2	-2.9

Stress Test Scenarios:

Stress Test Lower Growth	2020	2021	2022	2023	2024
NPAT (GEL Million)	-50	-66	-38	-32	-27
NET worth (GEL Million)	151	483	897	1,267	1,651
Return on Equity (ROE) %	-33%	-14%	-4%	-3%	-2%
Return on Assets (ROA) (%)	-3%	-2%	-1%	-1%	0%
Debt to Total assets (D/(D+E)) (%)	88%	68%	50%	38%	30%
Interest Coverage (IC)	-2.9	-0.7	-1.2	-0.6	-0.3

Current Ratio (CR)	0.4	-0.5	-1.1	-1.9	-2.5
Quick Ratio (QR)	0.3	-0.5	-1.1	-1.9	-2.5